Pharmesis International Ltd.
5 Kallang Sector
#03-02
Singapore 349279
Company registration no.: 200309641E

RESPONSE TO QUERY ON FIRST QUARTER RESULT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 ("RESULTS ANNOUNCEMENT")

The Board of Directors of Pharmesis International Ltd. ("**Company**" together with its subsidiaries, collectively the "**Group**") wishes to provide the following information in response to an email query from Singapore Exchange Securities Trading Limited ("SGX-ST") on 21 May 2019.

SGX's Query

We refer to Pharmesis International Ltd's (the "Company's") unaudited 1Q2019 financial statements filed on 14 May 2019.

1) In 1Q2019, the Company's revenue decreased by 47.8%, yet selling and distribution costs decreased by only 10.4%. Please disclose the reasons for the slight fall in selling and distribution costs despite a steep fall in revenue during the corresponding financial period.

Company's response:

In 1Q2019, revenue from prescribed drugs decreased by RMB 1.2 million mainly due to lower revenue from ATT products. Revenue from non-prescribed drugs/distribution segment decreased by RMB 6.2 million mainly due to lower revenue from Er Ding products. The sales of Er Ding products were mainly through distributors which the selling and distribution costs were lower as compared to sales of prescribed drugs. Hence, the decrease in selling and distribution costs in 1Q2019 was lower than the decrease in revenue.

SGX's Query

2) For 1Q2019, the Company's administrative costs increased by 31.7% compared to the same financial period last year, in 1Q2018. Please provide a breakdown of the administrative costs incurred in 1Q2019 and 1Q2018, explaining the nature of the material items and why administrative expenses increased by 31.7% when revenue in fact decreased by 47.8% in 1Q2019.

Company's response:

The increase in administrative costs was mainly due to fines, social insurance expense, write back of impairment loss on trade receivables in 1Q2018, rental, repairs & maintenance and others. The breakdown was as follows:

RMB million	1Q2019	1Q2018	Variance
Main admin expenses (salaries, audit fees, listing exp, professional fees etc)	2.4	2.4	0.0
Fines	0.2	0.0	0.2
Social insurance expense	0.2	0.0	0.2
Write back of impairment loss on trade receivables	0.0	(0.1)	0.1
Rental	0.2	0.1	0.1
Repairs & maintenance	0.1	0.0	0.1
Others	0.1	0.0	0.1
Administrative costs	3.2	2.4	0.8

SGX's Query

3) The Company recorded a revenue of RMB 8.0million in 1Q2019. However, 1Q2019 trade receivables was significantly higher, at RMB 14.83million. Please provide the aging schedule of these trade receivables in bands of 3 months (with upper limit of the longest due debt specified in bands of 3 months); and the credit terms. To elaborate on the reasons why the Company is unable to collect its trade receivables. To also disclose who are these creditors and the reasons for them not paying for their purchases.

Company's response:

Trade receivables was higher than sales mainly because the credit terms of our customers were between 3 to 6 months and some of our trade receivables was overdue. The Group had been collecting its trade receivables. The Group's trade receivables has decreased by RMB 4.7 million from RMB 19.5 million as at 31 December 2018 to RMB 14.8 million as at 31 March 2019.

The aging schedule was as follows:

	RMB'000
Trade receivables past due:	
60 days or less	1,510
61-120 days	454
121- 180 days	520
More than 180 days	1,598
	4,082
Trade receivables not due:	11,275
Less: expected credit losses	(527)
Total trade receivables	**14,830**

SGX's Query

4) "Other receivables" in 1Q2019 amounted to RMB 12.1million. To provide a breakdown of these other receivables and to disclose the nature of the underlying items. To also provide the aging schedule of these other receivables in bands of 3 months (with upper limit of the longest due debt specified in bands of 3 months).

Company's response:

The Group had other receivables of RMB 12.1 million at 31 March 2019. The breakdown was as follows:

	As at 31.03.2019 RMB million
Refundable deposit for acquisition of 30% equity of Sichuan Longlife	2.3
Advance payment for purchase of property, plant & equipment	2.4
Advance payment for acquisition of two properties	7.0
Others	0.4
Other receivables	**12.1**

SGX's Query

5) In the cash-flow statement, accrued liabilities and other payables amounted to RMB 5.31million in 1Q2019. What are these accrued liabilities and other payables? Why was there such a significant increase in accrued liabilities and other payables when the Company had cash on hand of RMB 31.3million in 1Q2019?

Company's response:

Accrued liabilities and other payables are mainly accrued expenses and non-trade creditors such as government agencies, auditors, advances received etc. The accrued liabilities and other payables amounted to RMB 5.31million in 1Q2019 cash-flow statement reflects the decrease in accrued liabilities and other payables from RMB 9.87 million as at 31 December 2018 to RMB 4.56 million as at 31 March 2019.

BY ORDER OF THE BOARD

Wu Xuedan
Executive Director and Chief Executive Officer
23 May 2019