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 27 May 2019.

SGX's Query

1) We refer to Pharmesis International Ltd's / the Company's announcement dated 23 May 2019 and titled "Response to SGX-Queries" (the "Company's response"). In SGX Query 3, the Company was asked "To 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). However, the Company did not specify the longest due debts in bands of 3 months. Please disclose accordingly; refer to Pharmesis International Ltd's (the "Company's") unaudited 1Q2019 financial statements filed on 14 May 2019.

Company's response:

The Group's longest due debts in bands of 3 months was as follows:

AR aging	RMB'000
13 to 15 months	411
16 to 18 months	173
19 to 21 months	142
22 to 24 months	153
25 to 27 months	258
28 to 30 months	120
31 to 33 months	40
34 to 36 months	4
> 3 years	297
AR overdue more than 180 days	1,598

SGX's Query

2) In SGX Query 3, the Company was asked to disclose the credit terms for its trade receivables. Please disclose accordingly;

Company's response:

The usual credit terms granted by the Group to all its trade receivables (customers) were 3 to 6 months.

SGX's Query

3) In SGX Query 3, the Company was asked to elaborate on the reasons why the Company is unable to collect its trade receivables. To also disclose who are these debtors and the reasons for them not paying for their purchases, the credit terms and/or the details of the underlying transactions and who are these debtors who are not paying for their purchases from the Company. Please disclose accordingly;

Company's response:

The Group's debtors were mainly distribution agents, retailers, pharmacies and hospitals who have bought the Group's pharmaceutical products. Their credit terms were 3 to 6 months. The Group was unable to collect its overdue trade receivables on time due to the following reasons. Certain trade receivables from the sales of the prescribed drugs were covered by social insurance and were included in the list of medicine approved by the Social Insurance Bureau in PRC. A longer period was required for the settlement of trade receivables as the payment process was dependent on receipts of the appointed distribution agents from the hospitals and clinics, which were in-turn dependent on the settlement of medical bills out of the patients' medical fund. Similarly, certain trade receivables from the sales of the non-prescribed drugs were dependent on receipts of the appointed distribution agents from the retailers and pharmacies, which will take a longer period. Lastly, there were some debtors who claimed to have difficulties paying and took a longer time to pay. The Group's sales personnel will actively chase receivables that were overdue.

SGX's Query

4) In the response to SGX Query 3, the Company disclosed the largest portion of the trade receivables of RMB 11,275,000 as "Trade receivables not due". As requested in SGX query 3, please disclose the credit terms, details of the underlying transactions, who these debtors are and the aging schedule of these debts.

Company's response:

These debtors are mainly distributors, retailers, pharmacies and hospitals who have bought the Group's pharmaceutical products. Their credit terms were 3 to 6 months. The aging was as follows:

AR aging	RMB'000
0 to 3 months	7,016
4 to 6 months	4,259
Trade receivables not due:	11,275

SGX's Query

5) In SGX Query 4, the Company was asked "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)" [emphasis added]. However, no aging schedule was provided. Please disclose accordingly.

Company's response:

The Group did not track the aging of other receivables as these were mainly deposits and advance payments which were current assets and usually reclassified to assets or income statement subsequently and not received.

SGX's Query

6) In the Company's response to SGX Query 4, the Company had disclosed a table showing a breakdown of the other receivables. Please provide details of and elaborate on the nature of the following items in the said table described as (1) "Advance payment for purchase of PPE"; (2) "Advance payment for acquisition of two properties", and (3) "Others".

Company's response:

		As at
		31.03.2019
Notes		**RMB million**
1	Refundable deposit for acquisition of 30% equity of Sichuan Longlife	2.3
2	Advance payment for purchase of property, plant & equipment	2.4
3	Advance payment for acquisition of two properties	7.0
4	Others	0.4
	Other receivables	**12.1**
	Notes	
1	Refundable deposit for acquisition of 30% equity of Sichuan Longlife, which was a 51% owned subsidiary. The acquisition was completed as per the SGX announcement on 14 May 2019.	
2	Advance payment for purchase of property, plant & equipment mainly relates to purchase of equipment for our new production facility at Jiangyou and other production facilities.	
3	Advance payment for acquisition of two properties located at Yingbin Street, Chengdu which were used for our new offices.	
4	Others mainly consist of deposits and advances to sales personnel for travelling etc	

BY ORDER OF THE BOARD

Wu Xuedan
Executive Director and Chief Executive Officer
28 May 2019