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## RESPONSE TO THE QUERIES ON THE ANNUAL REPORT 2023

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The Board of Directors ("**Board**") of Pharmesis International Ltd. (the "**Company**") refer to the queries received from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 24 April 2024 in relation to the Company's announcement dated 15 April 2024 regarding the Company's Annual Report 2023 and sets out its responses below:

### Query 1

The Company disclosed in its annual report that Mr. Chew Heng Ching will be redesignated as Non-Independent Non-Executive Director of the Company while Ms. Lin Yimin will be retiring from the Board at the upcoming AGM. The Company's remaining Board will comprise Mr. Wu Xuedan (Executive Director), Mr. Chew (Non-Independent Non-Executive Director) and Mr. Seow Yong Teng (Lead ID).

- a) Listing Rule 210(5)(c) states that an issuer's board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer. Please confirm whether the Company is in compliance with this rule. Otherwise, disclose the steps taken by the Company and the timeline to bring the Company back into compliance with this rule.
- b) Listing Rule 221 states that a foreign issuer must have at least two independent directors resident in Singapore. Please disclose when the Company will take steps to bring itself back into compliance with this rule, which should be as soon as possible. Accordingly, please disclose the steps that the Company has taken to comply with this rule and the relevant timeline to complete its appointment of directors.
- c) Provision 2.2 of the Code of Corporate Governance 2018 ("**Code**") states that independent directors should make up majority of the Board where the Chairman is not independent. Provision 4.2 of the Code states that the Nominating Committee ("**NC**") should comprise at least 3 directors, the majority of whom, including the NC Chairman, are independent. Provision 6.2 of the Code states that the Remuneration Committee ("**RC**") should comprise at least 3 directors, all of whom are non-executive and the majority of whom, including the RC Chairman, are independent. Provision 10.2 of the Code states that the Audit Committee ("**AC**") should comprise at least 3 directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. Please confirm whether the Company will be in compliance with these provisions. Otherwise, please disclose how the Company's practices are consistent with the respective principles of the Code or the steps that the Company has taken to comply with these provisions and the relevant timeline to complete its appointment of directors.
- d) We note that the Company has had ample time to prepare for the cessation or re-designation of its Independent Directors which have served for more than 9 years on the board. Please explain why the Company had not made arrangements prior to the FY2023 AGM to comply with the relevant rules and the Code.

### Company's response to Query 1:

- a) The Company is in compliance with the Rule 210(5)(c) of the Listing Manual of the SGX-ST ("**Listing Manual**") for the financial year ended 2023 ("**FY2023**") and the period from 1 January 2024 to 30 April 2024 as there are two (2) non-executive directors who are independent and free of any material business or financial connection with the Company.

Following the redesignation of Mr. Chew Heng Ching to Non-Independent Non-Executive Director of the Company upon conclusion of the upcoming AGM to be held on 30 April 2024, the Company endeavours to fill the vacancy within two months in order to comply with the requirement under the Rule 210(5)(c) of Listing Manual.

Currently, the Company is in the process of reviewing and assessing the candidates for the appointment of new independent non-executive director. The proposed appointment is expected to take place in May 2024 and upon such appointment, Rule 210(5)(c) of the Listing Manual will continue to be complied with.

- b) Rule 221 of Listing Manual states that a foreign issuer must have at least two independent directors, resident in Singapore. Under the Listing Manual, "foreign issuer" is defined as an issuer incorporated or otherwise established outside Singapore.

The Company was incorporated in Singapore on 29 September 2003 and listed on SGX Mainboard since 6 October 2004. As such, the Company does not fall under the definition of "foreign issuer", and the Rule 221 of Listing Manual is not applicable to the Company.

- c) The Company will be appointing a new independent non-executive director in May 2024. Consequent to the aforesaid proposed appointment, the new composition of the Board and Board Committees shall be as follows:

#### **Board of Directors**

Wu Xuedan	- Executive Director and Chief Executive Officer
Chew Heng Ching	- Non-Independent Non-Executive Chairman
Seow Yong Teng	- Independent Non-Executive Director (Lead Independent Director)
New Director	- Independent Non-Executive Director

#### **Audit Committee**

Seow Yong Teng	- Chairman
Chew Heng Ching	- Member
New Director	- Member

#### **Nominating Committee**

Seow Yong Teng	- Chairman
Chew Heng Ching	- Member
New Director	- Member

#### **Remuneration Committee**

Seow Yong Teng	- Chairman
Chew Heng Ching	- Member
New Director	- Member

- (i) Provision 2.2 of the Code is not applicable to the Company for FY2023 and the period from 1 January 2024 to 30 April 2024, as the Chairman, Mr. Chew Heng Ching is an independent director during the aforementioned period.

Following the redesignation of Mr. Chew Heng Ching to Non-Independent Non-Executive Director of the Company upon conclusion of upcoming AGM to be held on 30 April 2024, the Company would not be able to meet the requirement under Provision 2.2 of the Code.

Upon the proposed appointment of new independent non-executive director in May 2024, the Board will be made up by one (1) executive director, one (1) non-independent non-executive director and two (2) independent directors. Given that the Chairman of the Board is not independent upon conclusion of the AGM, a Lead Independent Director will be appointed. Further, considering the current Board size, the Board is of the view that the independent directors make up half of the Board and led by a Lead Independent Director provides a good balance of authority and power to the Board.

In addition, the AC, NC and RC which assist the Board in its functions will be chaired by the Lead Independent Director. Accordingly, there is a strong independence element within the Board to justify the variations of the Board composition from the Code.

- (ii) The Company is in compliance with the Provision 4.2 of the Code.

During FY2023 and the period from 1 January 2024 to 30 April 2024, the NC consists of 3 directors, i.e. Mr. Chew Heng Ching, Mr. Wu Xuedan and Mr. Seow Yong Teng. The majority of whom, including the NC Chairman, i.e. Mr. Chew Heng Ching are independent.

Upon the proposed appointment of new independent director in May 2024, the NC will consist of 3 directors, i.e. Mr. Seow Yong Teng, Mr. Chew Heng Ching and the new independent director. The majority of whom, including the NC Chairman, i.e. Mr. Seow Yong Teng are independent, which is in compliance with the Provision 4.2 of the Code.

- (iii) The Company is not in compliance with the Provision 6.2 of the Code which states that the RC should comprise at least 3 directors, all of whom are non-executive and the majority of whom, including the RC Chairman, are independent, for FY2023 and the period from 1 January 2024 to 30 April 2024. As stated in the Annual Report 2023, the RC comprises two (2) members, who are the only Independent Directors of the Board. The Board believes that the current structure and membership of the RC is beneficial to the Company and minimise the risk of any potential conflict of interest.

Upon the proposed appointment of new independent non-executive director in May 2024, the RC will be made up by 3 directors, i.e. Mr. Seow Yong Teng, Mr. Chew Heng Ching and the new independent non-executive director. Three of them are non-executive and the majority of whom, including the RC Chairman, Mr. Seow Yong Teng are independent, which is in compliance with the Provision 4.2 of the Code.

- (iv) The Company is in compliance with the Provision 10.2 of the Code for FY2023 and the period from 1 January 2024 to 30 April 2024. The AC comprises three (3) directors and all of whom are non-executive and the majority of whom, including the AC Chairman, Mr. Chew Heng Ching are independent.

Upon the proposed appointment of new independent non-executive director in May 2024, the AC will consist of three (3) directors and all of whom are non-executive and the majority of whom, including the AC Chairman, Mr. Seow Yong teng are independent, which is in compliance with the Provision 4.2 of the Code.

- d) During the second half of FY2023, the Company had received resignation notice from three (3) directors, i.e. one (1) executive director, one (1) non-independent non-executive director and one (1) independent non-executive director. The Company has undertaken efforts in the selection and appointment of two (2) new directors to replace the roles, obligations, duties and responsibilities of the resigned directors.

In first half of 2024, there are one (1) retirement of director; and one (1) redesignation of independent director. The NC and the Board recognise the significance and importance of the upcoming refreshment of the Board, as it affords the Company the opportunity to enhance its Board diversity with numbers of directors stepping down during FY2023 and first half of 2024.

The NC and the Board placed gender and age diversity at the forefront of the selection process for appointing suitable candidates. However, it took longer than expected to identify suitable candidates and the Board was only able to finalise the full line-up recently. The Company will be appointing the new independent non-executive director in May 2024, and is currently in the process of preparing and finalising the paperwork to complete their appointment.

Pursuant to Article 97 of the Company's Constitution, the proposed independent non-executive director who will be appointed by the Board in May 2024 will need to retire and stand for re-election at the AGM for the financial year ending 31 December 2024. Shareholders will have the opportunity to vote on and confirm their re-appointment at AGM in 2025.

## **Query 2**

The Company disclosed that the internal auditor, Sichuan WeiCheng Certified Public Accountants Co., Ltd. ("**WeiCheng CPA**") is guided by the "No. 3101 of Chinese Certified Public Accountants Auditing Standards – Assurance Service other than Historical Financial Information Audit or Review", "Enterprise Internal Control Regulations" and related regulations. Please clarify the differences between these and the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. Please also disclose, with examples, whether WeiCheng CPA has relevant experience in performing internal audit work for listed companies in similar industries in the PRC or elsewhere.

### **Company's response to Query 2:**

The Company has outsourced the internal audit function to a professional accounting firm in People's Republic of China ("**PRC**"), namely WeiCheng CPA. WeiCheng CPA was established in 2008 with more than 15 years of auditing experience. WeiCheng CPA is also part of the Sichuan WeiCheng Group, which is a comprehensive enterprise mainly engaged in audit, evaluation, internal audit service and consulting services. WeiCheng CPA was rated as Sichuan Province AAA-level accounting firm for six consecutive years. WeiCheng CPA is adequately resourced, with staff strength of over 60 certified public accountants and the engagement team is led by a certified public accountant team leader with more than 14 years of experience. WeiCheng CPA is guided by the "No. 3101 of Chinese Certified Public Accountants Auditing Standards – Assurance Service other than Historical Financial Information Audit or Review", "Enterprise Internal Control Regulations" and related regulations.

The "No. 3101 of Chinese Certified Public Accountants Auditing Standards-Assurance Service other than Historical Financial Information Audit or Review", was issued by the Chinese Institute of Certified Public Accountants. It is the standard primarily deals with assurance services other than historical financial information audit or review, performed by the Certified Public Accountants in PRC.

"Enterprise Internal Control Regulations" was formulated by the Ministry of Finance in PRC and is applicable to large and medium-sized enterprises established within PRC. It aims to strengthen and standardise the internal control of enterprises, improve the management level of enterprises and risk prevention capabilities, and promote the sustainable development of enterprises. To maintain the order of the socialist market economy and the interests of the public, the internal control system of PRC enterprises is mainly based on the Internal Control Standards of enterprises and relevant application guidelines.

Accordingly, "No. 3101 of Chinese Certified Public Accountants Auditing Standards – Assurance Service other than Historical Financial Information Audit or Review" and "Enterprise Internal Control Regulations" are adopted as the main basis for the internal audit.

After taking into consideration of WeiCheng CPA's track record and its engagement team's experience, the AC had assessed that WeiCheng CPA are suitable to perform the role of internal auditor. WeiCheng CPA has PRC clients in similar industry and the listed corporation.

BY ORDER OF THE BOARD

Wu Xuedan  
Executive Director and Chief Executive Officer  
26 April 2024