
RESPONSE TO QUERIES ON APPOINTMENT OF EXECUTIVE CHAIRMAN

The Board of Directors of Pharmesis International Ltd ("Company") wishes to provide the following information in response to an email query from Singapore Exchange Limited ("SGX") on 16 January 2015.

A. SGX's Query

We note from the announcement that Mr Jiang Yun is the CEO and Executive Chairman of Board of Sichuan Neautus Traditional Chinese Medicine Co., Ltd from March 2005 to Present and he has declared no conflict of interests (including any competing business). As the Company is also in the business of developing, manufacturing, and sale of traditional Chinese medicine (TCM) formulated products in the People's Republic of China, please explain why there is no conflict of interests and how he will be able to devote his time to perform his role and manage his conflict as Executive Chairman of the Company.

Company's response

Sichuan Neautus Traditional Chinese Medicine Co., Ltd ("Sichuan Neautus") cultivates and sell herbs "草药", while the Company manufactures and sells TCM formulated medicines "成药", in the forms of tablets, granules, capsules. TCM formulated medicines are made from herbs. There is no direct competition between Sichuan Neautus and the Company.

Mr. Jiang Yun was previously the Company's CEO and Executive Chairman before he stepped down in January 2009. After he stepped down, the Company was run by the remaining executive director who assumed the role of CEO and the role of Chairman was assigned to an independent director. As Mr. Jiang Yun is familiar with the business of the Company, we are of the opinion that his executive appointment will benefit the Company. Mr. Jiang Yun will principally be in charge of the strategic direction of the group and he has undertaken to devote substantially his time and attention to the affairs of the Company and shall faithfully serve the Company and use his utmost endeavours to promote the Company's interests.

B. SGX'S Query

We note from the announcement that Mr Jiang Yun is deemed interested in the 49% shareholding in the Company's indirect subsidiary, Sichuan Longlife Pharmaceutical Co., Ltd. In this respect, please provide the following:-

(i) how are conflicts managed with respect to interested person transactions.(ii) background information on how did he become deemed interested in the 49% shareholding in the Company's indirect subsidiary

Company's response

The Company manages and mitigates conflict with respect to interested person transactions through:

- 1) our directors have a duty to disclose their interests in respect of any proposed contract in which they have any personal interest (directly or indirectly). Upon such disclosure, such director will not participate in any proceedings of our Board and will abstain from voting, in respect of any such contract in which the conflict of interests arises;
- 2) the audit committee will review all interested person transactions;

- 3) the Company has in place an internal control system to report and monitor interested person transactions;
- 4) the Company's executives are subject to a duty of confidentiality that precludes him from disclosing to any third party information that is confident to us.

The Company's direct subsidiary, namely Chengdu Kinna Pharmaceutical Co., Ltd holds 51% interest in Sichuan Longlife Pharmaceutical Co., Ltd ("Sichuan Longlife"). The other shareholder, which holds 49% in Sichuan Longlife, is a company which Mr Jiang Yun has all along holds more than 20% interest, took up the 49% equity interest in Sichuan Longlife when it bought over the shares from minority shareholders in August 2009.

BY ORDER OF THE BOARD

Wu Xuedan
Executive Director and Chief Executive Officer
Dated: 21 January 2015