
RESPONSE TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “SGX-ST”) QUERIES ON THE ANNUAL REPORT 2019

The Board of Directors of Pharmesis International Ltd. (the “Company”) wishes to respond to the queries raised by the SGX-ST on 21 April 2020 in relation to the Company’s Annual Report 2019:

SGX’s Query

We refer to Pharmesis International’s Annual Report 2019 filed on 8 April 2020.

1. Pursuant to 1207(10), the annual report must contain the board’s comment on the adequacy and effectiveness of the issuer’s internal controls (including financial, operational, compliance and information technology controls) and risk management systems. On pg 25 of your annual report 2019, the Board with the concurrence of the Audit Committee (“AC”) had only opined that there were “adequate” internal controls systems. Please provide the Board’s opinion, with the concurrence of the AC, on the effectiveness of these internal controls.

Company’s response:

Based on the internal control system established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, the Board with the concurrence of the Audit Committee (“AC”) is of the opinion that there are adequate and effective internal controls systems in the Company in addressing financial, operational, compliance and information technology controls and risk management systems as at 31 December 2019.

SGX’s Query

2. Pursuant to LR 704(6), the Company is required to announce any material adjustments to its preliminary full-year results made subsequently by auditors. For instance, we note that in the audited Statement of Cash Flows, the value for operating (loss)/profit before working capital changes differed by more than 10%. Please disclose all material variances between previously announced unaudited and audited full year results; as well as the reasons for the variances,

Company’s response:

Consolidated Statement of Cash Flows for FY2019	Audited Annual Report	Unaudited Announcement	Variance	
	RMB’000	RMB’000	RMB’000	Note
Cash flows from operating activities				
Adjustments for:				
Inventories written off	847	-	847	a
Operating (loss)/profit before changes in working capital	(8,569)	(9,428)	859	b
Changes in working capital				
Decrease in inventories	1,896	2,743	(847)	a

a) Reclassification of inventories written off as a separate line item from decrease in inventories.

b) Mainly due to reclassification stated in note a.

BY ORDER OF THE BOARD

Wu Xuedan
Executive Director and Chief Executive Officer
22 April 2020