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## **Response to Queries on Financial Statements and Dividend Announcement for the six months and full year ended 31 December 2023 (“Full Yearly Results Announcement”)**

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The Board of Directors (“**Board**”) of Pharmesis International Ltd. (the “**Company**” together with its subsidiaries, collectively the “**Group**”) refer to queries received from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 12 March 2024 in relation to the Company’s announcement dated 29 February 2024 regarding the Company’s unaudited condensed interim financial statements for the six months and full year ended 31 December 2023 (the “**Full Yearly Results Announcement**”) and sets out its responses below:

### **Query 1**

The Company recorded an inventory write off amounting to RMB3.477 million for the 12 months ended 31 December 2023. Please explain the basis for the inventory write off and the amount written off.

#### **Company’s response to Query 1:**

As announced on 27 July 2023, torrential rain has caused flooding at one of its manufacturing facilities located in Gulin county, Luzhou City, Sichuan Province, Peoples’ Republic of China (“**PRC**”) (“**Longlife Plant**”). Production at Longlife Plant was disrupted for more than two months. Our inventory was damaged by the flood, the amount written off was RMB3.477 million for FY2023. In the income statements, other costs of RMB 4.8 million were losses arising from the flood incident, comprised of RMB 3.477 million inventory written off and RMB 1.275 million repairs costs.

### **Query 2**

Please explain the increase in the increase in inventories from FY2022 to FY2023 amounting to RMB4.283 million when the Company’s revenue had decreased between the same periods and the Company has written off RMB3.477million worth of inventories in FY2023.

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

The Group’s revenue decreased by RMB 13.7 million or 43.2% from RMB 31.6 million in 2H 2022 to RMB 17.9 million in 2H 2023. The decrease in revenue led to slower turnaround in inventory thus resulted in higher inventory as at 31 December 2023. There was no inventory obsolescence issues as at 31 December 2023.

### **Query 3**

Please explain the decrease in trade receivables of RMB 4.881 million from FY2022 to FY2023. If the trade receivables were written off, please provide details relating to the amount that were written off and the basis for writing them off. Please also provide the Board's views on the collectability of the remaining trade receivables.

### **Company's response to Query 3:**

The Group's revenue decreased by RMB 13.7 million or 43.2% from RMB 31.6 million in 2H 2022 to RMB 17.9 million in 2H 2023. The RMB 4.881 million decrease in trade receivables from FY2022 to FY2023 was mainly due to the decrease in revenue in 2H 2023. No trade receivables were written off in FY2023. The Board is of the view that there was no collectability issues of the trade receivables as at 31 December 2023.

BY ORDER OF THE BOARD

Wu Xuedan  
Executive Director and Chief Executive Officer  
14 March 2024