Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Pharmesis International Ltd.

Stock code: BFK

Meeting details:
Date: 29 April 2022
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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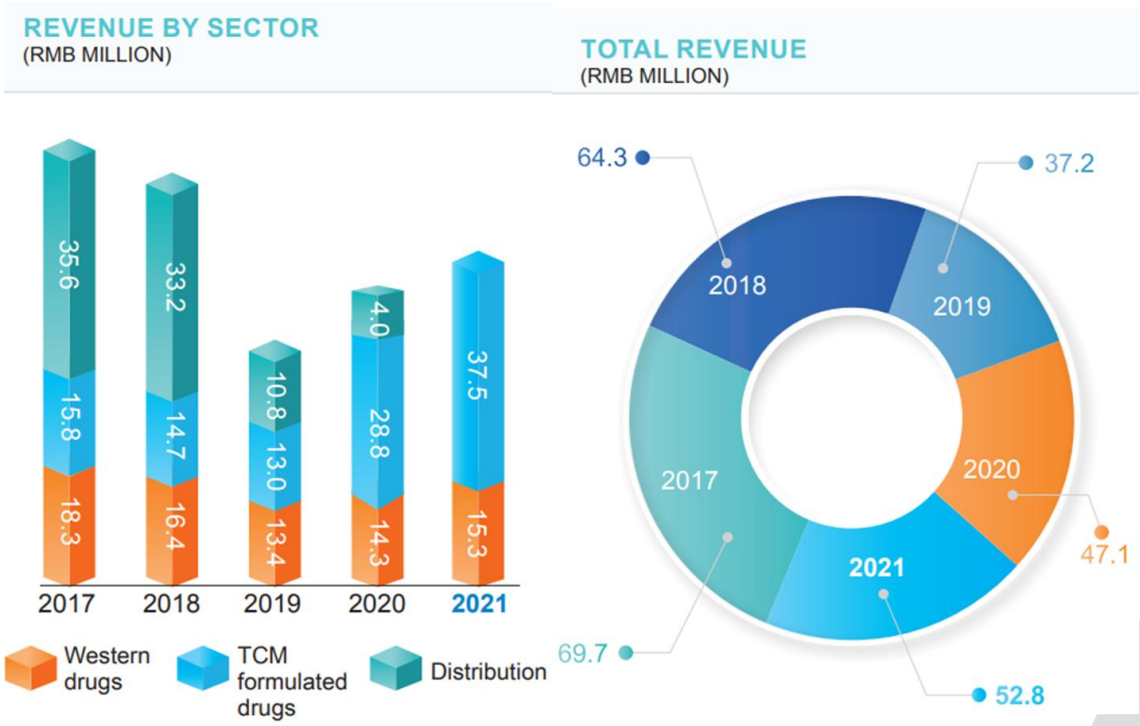
Q1. The group has two operating (manufacturing) subsidiaries, Chengdu Kinna Pharmaceutical Co., Ltd and Sichuan Longlife Pharmaceutical Co., Ltd, that specialise in the manufacturing of pharmaceutical products in the form of tablets, granules, pills, etc, including TCM formulated products for the treatment of illnesses relating to the liver and gall bladder. In addition, Chengdu Pharmesis Pharmaceutical Co., Ltd. focuses on the distribution of pharmaceutical products.

(i) **Can management provide shareholders with an update on the COVID-19 situation in its key cities, such as Chengdu, Gulin etc?**

(ii) **Does management see any changes in the confidence of consumers and businesses, especially as China maintains its Zero-COVID strategy?**

(iii) **Have the manufacturing operations been affected by the tighter controls? What are the main raw materials needed for the group's manufacturing operations? Are there any difficulties in securing the raw material that is needed?**

Q2. As shown on page 11 (Financial highlights), the group's total revenue increased by 12% to RMB52.8 million. TCM formulated drugs have seen significant improvements over the years while revenue from western drugs has trended slightly lower. Revenue from distribution has decreased from RMB4.0 million in FY2020 to $0 in FY2021.



(Adapted from company annual report)

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(i) Can management provide shareholders with greater clarity on the operations, including:

a. **Western drugs: What are the reasons for the flat performance? What is the group's competitive advantage in this category?**

b. **TCM formulated drugs: What factors contributed to the strong growth of TCM formulated drugs? Does the group manufacture all of its TCM formulated drugs? What is the group's manufacturing capacity and the utilisation rate? What is the new TCM product that will be launched soon?**

c. **Distribution:** The group did not recognise any revenue from distribution. **Has management ceased the distribution business? Please help shareholders understand the strategic value of the distribution business.**

(ii) The following is an extract of the "Operations & financial review" in the annual report (pages 9 and 10). The review provides a "mechanical" summary of the major items in the financial statements, without any insights or information on the group's operations.



PHARMESIS INTERNATIONAL LTD. ANNUAL REPORT 2021 9

OPERATIONS & FINANCIAL REVIEW

REVENUE

The Group's FY2021 revenue increased by RMB5.7 million or 12.0% from RMB47.1 million in FY2020 to RMB52.8 million in FY2021. Revenue from Group's non-prescribed drugs segment increased by RMB5.1 million and revenue from prescribed drugs segment increased by RMB0.6 million.

Gross profit margin decreased from 50.6% in FY2020 to 47.4% in FY2021 mainly due to rising costs from both segments. Other income increased by RMB1.6 million from RMB0.5 million in FY2020 to RMB2.1 million in FY2021 mainly due to higher government grant in FY2021.

Selling and distribution costs decreased by RMB3.1 million or 17.2% from RMB17.8 million in FY2020 to RMB14.7 million in FY2021 mainly due to lower advertising and selling expenses. Administrative costs decreased by RMB1.2 million or 11.4% from RMB10.4 million in FY2020 to RMB9.2 million in FY2021 mainly due to RMB0.5 million decrease in R&D expenses, RMB0.3 million in entertainment expenses, RMB0.2 million decrease in repairs & maintenance expenses, RMB0.2 million decrease in personnel expenses.

Other costs for FY2021 was nil. Unlike FY2020, there was other costs of RMB1.3 million impairment loss on property, plant and equipment. Finance income decreased from RMB37,000 in FY2020 to RMB30,000 in FY2021, mainly due to lower finance income from cash and cash equivalents. Finance costs increased from RMB0.9 million in FY2020 to RMB1.1 million in FY2021.

NET PROFIT

As a result of the above, the Group recorded a net profit attributable to shareholders of RMB1.2 million for FY2021 compared to a net loss of RMB5.8 million for FY2020.

FINANCIAL POSITION

The Group's non-current assets were RMB55.5 million as at 31 December 2021, an increase of RMB1.2 million from RMB54.3 million as at 31 December 2021. This was mainly due to the increase in property, plant and equipment and right-of-use assets.

The Group's current assets were RMB37.1 million as at 31 December 2021, an increase of RMB0.1 million from RMB37.0 million as at 31 December 2020. This was mainly due to higher inventories, trade receivables and lower prepaid expenses, other receivables, cash and cash equivalents.

The Group's current liabilities were RMB30.8 million as at 31 December 2021, a decrease of RMB1.6 million from RMB32.4 million as at 31 December 2020 mainly due to increase in trade payables, lease liabilities, tax payable and decrease in accrued liabilities & other payables.

The Group's non-current liabilities were RMB1.7 million as at 31 December 2021, an increase of RMB1.0 million from RMB0.7 million as at 31 December 2020 due to increase in lease liabilities.

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OPERATIONS & FINANCIAL REVIEW

CASH FLOW

The Group's net cash flow from operating activities for FY2021 was RMB0.7 million, mainly due to cash generated from operations and finance costs paid.

Net cash used in investing activities for FY2021 amounted to RMB1.6 million, incurred mainly for the acquisition of plant and equipment.

Net cash used in financing activities for FY2021 amounted to RMB0.3 million, incurred mainly for the repayment of lease liabilities.

As at 31 December 2021, the Group had cash and cash equivalents of RMB14.0 million.

SHAREHOLDERS' FUNDS

Shareholders' funds amounted to RMB57.5 million as at 31 December 2021. With Group's net profit attributable to equity holders at RMB1.2 million in FY2021, net profit per share was RMB5.1 cents, compared with net loss per share of RMB25.3 cents in FY2020. Net asset value per share as at 31 December 2021 was RMB2.61.

(Source: company annual report)

Would the directors, especially the independent chairman, be reviewing the group's communication with shareholders and help the company improve the quality and quantity of disclosure in the annual report?

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Q3. The attendance of the directors at board and board meetings is shown on page 18. The tables from the past 3 years are shown below:

A R2021

The details of the number of Board and Board Committees meetings held during the financial year and the attendance of each Board member at those meetings are disclosed as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr. Wu Xuedan	4	4	N.A.	N.A.	N.A.	N.A.	1	1
Mr. Qi Jie	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Chew Heng Ching	4	4	4	4	1	1	1	1
Mr. Chay Kwok Kee	4	4	4	4	1	1	1	1
Ms. Chung Chia-Jung	4	3	4	3	N.A.	N.A.	N.A.	N.A.

AR2020

The details of the number of Board and Board Committees meetings held during the financial year and the attendance of each Board member at those meetings are disclosed as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr. Wu Xuedan	4	4	N.A.	N.A.	N.A.	N.A.	1	1
Mr. Qi Jie	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Chew Heng Ching	4	4	4	4	1	1	1	1
Mr. Chay Kwok Kee	4	4	4	4	1	1	1	1
Ms. Chung Chia-Jung	4	3	4	3	N.A.	N.A.	N.A.	N.A.

AR20219

The details of the number of Board and Board Committees meetings held during the financial year and the attendance of each Board member at those meetings are disclosed as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr. Wu Xuedan	4	4	N.A.	N.A.	N.A.	N.A.	1	1
Mr. Qi Jie	4	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Chew Heng Ching	4	4	4	4	1	1	1	1
Mr. Chay Kwok Kee	4	4	4	4	1	1	1	1
Ms. Chung Chia-Jung	4	4	4	4	N.A.	N.A.	N.A.	N.A.

(i) **What are the extenuating circumstances that led to two of the directors to be absent from the board meetings on numerous occasions in the past 3 years?**

(ii) **How can the company secretary and the company work together with the board to improve the attendance of directors at board meetings?**

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In addition, Mr Chew Heng Ching was first appointed to the board on 9 November 2005. Mr Chew Heng Ching has been on the board for over 16 years. Mr Chew Heng Ching obtained shareholders' two-tier vote in April 2021 for his continued appointment as independent director.

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

In his biography, Mr. Chew Heng Ching disclosed that he was the founding President of the Singapore Institute of Directors and was Past Chairman of its Governing Council. He was a Member of the Council on Corporate Disclosure and Governance and a fellow of the Singapore Institute of Directors.

(iii) **Would Mr. Chew Heng Ching, as the independent chairman, be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

(iv) **What are the near-term plans to promote renewal and succession planning in view of the guidance from SGX RegCo?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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