Pharmesis International Ltd.
5 Kallang Sector, #03-02
Singapore 349279
Company registration no.: 200309641E

SUSTAINABILITY REPORT

For financial year ended 31 December 2018

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1. ABOUT PHARMESIS INTERNATIONAL LIMITED AND ITS SUBSIDIARIES

Listed on the Main Board of the Singapore Exchange in October 2004, Pharmesis International Ltd. **("Pharmesis")** specialises in the manufacture of pharmaceutical products, including western medicine and Traditional Chinese Medicine ("TCM"). Under our two subsidiaries, Chengdu Kinna Pharmaceutical Co., Ltd and Sichuan Longlife Pharmaceutical Co., Ltd, we 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. Additionally, our business also includes the research and development, production, sale and marketing of pharmaceutical products. Our pharmaceutical products are sold in the People's Republic of China ("PRC") under the "国嘉" brand. Our main products are ATT, Gulin Gansu and Er Ding granules. Our Gulin Gansu is under the National TCM Protection List and is also the first TCM formulated products to be awarded the "Product of Designation of Origin and Geographical Indications of the PRC". Leveraging our strong research and development capabilities and in-house expertise in pharmaceutical products for the treatment of illnesses relating to the liver and gall bladder, we successfully improved the coating technology of ATT tablets and had received several awards in recognition of this achievement.

2. BOARD STATEMENT ON SUSTAINABILITY

This is the second sustainability report prepared by Pharmesis International Limited. The Board of Directors (the "**Board**") of Pharmesis International Limited has considered sustainability issues as part of its strategic formulation and provided direct guidance to the Company's management (the "**Management**") in the preparation of this report. Based on the guidelines of Global Reporting Initiative ("**GRI**") Standards, the Board and the Management determined the material environmental, social and governance (**ESG**) factors relevant to the Group. The Management then further assesses, monitors and documents the Group's efforts in managing the identified material ESG factors. The Board has overseen the management and monitoring of the material ESG factors. The Board and the Management will continue to work closely to ensure that the Group has a structured and functioning sustainability reporting framework. We hope this report will help our stakeholders understand the Group and its business decisions, and allow the Group to be sustainable in the long run.

3. Materiality Analysis and Material Factors

A Sustainability Steering Committee comprising senior representatives from different business units and functions, led by the CEO, will be responsible to address all sustainability issues concerning the Group.

The committee undertook a materiality assessment process based on Global Reporting Initiatives (GRI) Standards to identify our material factors that are significant to our businesses and our stakeholders and ultimately form the content of this report.

This process included reviewing our corporate commitments, policies, risks and regulation requirements and engagement with staff and external stakeholders in order to continue to improve our sustainability performance by strategically focusing on material topics which span the economic, environmental, social and governance (ESG) aspects over the coming years.

We have worked through GRI's 4 steps of materiality – identification, prioritisation, validation and review – to determine an indicative list of material factors. As a first step, Pharmesis undertook an internal assessment to better understand the impacts from our business activities, reviewing our internal risk assessments, strategy and policy commitments, and considered the sustainability disclosure of our peers. Senior management and select members of the Board were involved and engaged in this identification and prioritisation process. We have prioritised three Material Factors, Economic Performance, Product Quality and Safety & Occupational Health and Safety.

4. REPORTING PERIOD

This report is in respect of the Group's financial year ended 31 December 2018.

5. KEY STAKEHOLDERS

Our key stakeholders are our business associates, employees, regulators, and investors.

Key stakeholder Methods of engagement

Our Key Stakeholders	Forms of Engagement	Key Topics
Business Associates	One-on-one meetings Conferences Site visits Email and phone communication Marketing and distribution Manufacturing and product quality	Marketing and distribution Manufacturing and product quality Supply and logistics Financials Business opportunities Market conditions Regulatory landscape
Employees	Goals determination and work plans Messages from management Performance appraisals Team briefings	Work safety awareness Productivity measures Promoting teamwork
Regulators	Email and phone communication Formal applications and approvals	Compliance Permits and licences Regulatory landscape
Investors	AGM / EGM Email and phone communication SGXNET announcements Corporate website	Company performances Future directions

6. MATERIAL FACTORS

We believe the following factors are relevant for the long term sustainability of the Group:

<table>
<tr><th>Focus</th><th>Objective & Target</th><th>Policies, Performance and Practices</th></tr>
<tr><td>Economic Performance</td><td>Objective: To ensure the Group is in good financial health and is poised for sustainable generation of shareholder value.

Target: To achieve and maintain profitability (positive profit before tax).</td><td><table><tr><th>(RMB million)</th><th>FY2018</th><th>FY2017</th></tr><tr><td>Total revenue</td><td>64.3</td><td>69.7</td></tr><tr><td>Profit/(loss) before tax</td><td>6.1</td><td>(1.3)</td></tr><tr><td>Total Equity</td><td>99.0</td><td>94.0</td></tr></table>
FY2018 continues to be another challenging year for the pharmaceutical industry in the People’s Republic of China (“PRC”). The US-China trade war continued to weigh on the slowing economy in PRC. However, we took these challenges in our stride. Despite the challenging business environment, we achieved a turnaround for FY2018, as a result of our concerted efforts in focusing on our non-prescribed drugs business as well as favourable industry policies introduced by the government.

Achieved positive profit before tax in FY2018.</td></tr>
<tr><td>Product Quality and Safety</td><td>Objective: To ensure that product quality and safety is never compromised.

Target: To achieve zero drug safety incident</td><td>Product quality and safety are core to our commercial reputation and consumers’ expectations. We are committed to responsible sourcing as it helps assure safety and quality of our end products. We have always stressed the importance of drug quality and safety in our operations in each stage of our production process as evidenced by the GMP certifications over our production facilities.

Achieved zero drug safety incident in FY2018.</td></tr>
<tr><td>Occupational Health and Safety</td><td>To ensure that our manufacturing facilities remain free from risk to employees, or any other persons on our premises.

Target: To achieve zero workplace injuries</td><td>Commitment to the safety of our people and of those we work with.

Our safety practices outlines the work procedures such that workers can carry out their jobs effectively.

Review of safety practices.

Achieved zero workplace injuries in FY2018.</td></tr>
</table>

7. Sustainability contact

We welcome your views and feedback on our sustainability practices and reporting at enquiry@pharmesis.com.

GRI Standards Content Index

The GRI Content Index references the Pharmaesis International Limited Sustainability Report 2018 (SR), and the Annual Report 2018 (AR).

GRI Standards	Disclosure Title	Page Reference
General Disclosures		
102-1	Name of organisation	Sustainability Report 2018, Page 1
102-2	Activities, brands, products, and services	Sustainability Report 2018, Page 1
102-3	Location of headquarters	Sustainability Report 2018, Page 1
102-4	Location of operations	Sustainability Report 2018, Page 1
102-5	Ownership and legal form	Sustainability Report 2018, Page 1
102-6	Markets served	Sustainability Report 2018, Page 1
102-7	Scale of organisation	Sustainability Report 2018, Page 1
102-8	Information on employees and other workers	Not applicable
102-9	Supply chain	Not applicable
102-10	Significant changes to the organisation and its supply chain	Not applicable
102-11	Precautionary Principle or approach	AR: Corporate Governance (Pages 17-28)
102-12	External initiatives	Not applicable
102-13	Membership of associations	Not applicable
102-14	Statement from senior decision-maker	AR: Letter to Shareholders (Pages 4-8)
102-15	Key impacts, risks, and opportunities	AR: Operations Review (Page 9, 10)
102-16	Values, principles, standards, and norms of behavior	Sustainability Report 2018, Page 1
102-17	Mechanisms for advice and concerns about ethics	AR: Corporate Governance (Pages 17-28)
102-18	Governance structure	AR: Corporate Governance (Pages 17-28)
102-40	List of stakeholder groups	Sustainability Report 2018, Page 2
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	Sustainability Report 2018, Page 2
102-43	Approach to stakeholder engagement	Sustainability Report 2018, Page 2
102-44	Key topics and concerns raised	Sustainability Report 2018, Page 2
102-45	Entities included in the consolidated financial statements	AR: Investment in Subsidiary – Note 11 to the Financial Statements (Page 70)
102-46	Defining report content and topic Boundaries	Sustainability Report 2018, Page 2
102-47	List of material topics	Sustainability Report 2018, Page 2
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	Sustainability Report 2018, Page 2
102-51	Date of most recent report	Not applicable

102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Sustainability Report 2018, Page 3
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report 2018, Page 1
102-55	GRI content index	Sustainability Report 2018, GRI Content Index
102-56	External assurance	No external assurance

GRI Standards	**Disclosure Title**	**Page Reference**
Material Topics		
Economic Performance		
103-1	Explanation of the material topic and its Boundary	Sustainability Report 2018, Page 3
103-2	The management approach and its components	Sustainability Report 2018, Page 3 AR: Operations Review (Page 9, 10)
103-3	Evaluation of the management approach	Sustainability Report 2018, Page 3 AR: Operations Review (Page 9, 10)
201-1	Direct economic value generated and distributed	Sustainability Report 2018, Page 3
Product Quality and Safety		
103-1	Explanation of the material topic and its Boundary	Sustainability Report 2018, Page 3
103-2	The management approach and its components	Sustainability Report 2018, Page 3
103-3	Evaluation of the management approach	Sustainability Report 2018, Page 3
417-2	Incidents of non-compliance concerning product and service information and labelling	In FY2018, there were no incidents of non-compliance concerning product and service labelling.
Occupational Health and Safety		
403-1	Workers representation in formal joint management–worker health and safety committees	Not applicable
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	There were no cases of employees experiencing occupational diseases. There are no fatalities involving employees in 2018.
403-3	Workers with high incidence or high risk of diseases related to their occupation	Not applicable
403-4	Health and safety topics covered in formal agreements with trade unions	Not applicable