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

SUSTAINABILITY REPORT

For financial year ended 31 December 2017

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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 first 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.

On behalf of the Board of Directors

CHEW HENG CHING
Independent Non-Executive Chairman

WU XUEDAN
Chief Executive Officer and Executive Director

3. Materiality Analysis and Material Factors

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

As a first-time reporter, we 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 inform 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 2017.

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</th><th>Policies, Performance and Practices</th></tr>
<tr><td>Economic Performance</td><td>To ensure the Group is in good financial health and is poised for sustainable generation of shareholder value.</td><td><table>
<tr><th>(RMB million)</th><th>2016</th><th>2017</th></tr>
<tr><td>Total revenue</td><td>68.8</td><td>69.7</td></tr>
<tr><td>Loss before tax</td><td>(4.4)</td><td>(1.3)</td></tr>
<tr><td>Total Equity</td><td>95.8</td><td>94.0</td></tr>
</table>
FY2017 was another challenging year for the pharmaceutical industry in the People’s Republic of China. The price cut imposed by the government has been dragging down the industry in the past few years. The business environment in this industry continues to be very competitive. These factors resulted in us reporting a net loss but the Group manages to reduce its loss in FY2017 as compared to FY2016 and maintain its healthy operating condition.</td></tr>
<tr><td>Product Quality and Safety</td><td>To ensure that product quality and safety is never compromised.</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.</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.</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</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 2017 (SR), and the Annual Report 2017 (AR).

GRI Standards	Disclosure Title	Page Reference
General Disclosures		
102-1	Name of organisation	Sustainability Report 2017, Page 1
102-2	Activities, brands, products, and services	Sustainability Report 2017, Page 1
102-3	Location of headquarters	Sustainability Report 2017, Page 1
102-4	Location of operations	Sustainability Report 2017, Page 1
102-5	Ownership and legal form	Sustainability Report 2017, Page 1
102-6	Markets served	Sustainability Report 2017, Page 1
102-7	Scale of organisation	Sustainability Report 2017, 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 2017, 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 2017, Page 2
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	Sustainability Report 2017, Page 2
102-43	Approach to stakeholder engagement	Sustainability Report 2017, Page 2
102-44	Key topics and concerns raised	Sustainability Report 2017, Page 2
102-45	Entities included in the consolidated financial statements	AR: Investment in Subsidiary – Note 11 to the Financial Statements (Page 67)
102-46	Defining report content and topic Boundaries	Sustainability Report 2017, Page 2
102-47	List of material topics	Sustainability Report 2017, Page 2
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable

102-50	Reporting period	Sustainability Report 2017, 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 2017, Page 3
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report 2017, Page 1
102-55	GRI content index	Sustainability Report 2017, 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 2017, Page 3
103-2	The management approach and its components	Sustainability Report 2017, Page 3 AR: Operations Review (Page 9, 10)
103-3	Evaluation of the management approach	Sustainability Report 2017, Page 3 AR: Operations Review (Page 9, 10)
201-1	Direct economic value generated and distributed	Sustainability Report 2017, Page 3
Product Quality and Safety		
103-1	Explanation of the material topic and its Boundary	Sustainability Report 2017, Page 3
103-2	The management approach and its components	Sustainability Report 2017, Page 3
103-3	Evaluation of the management approach	Sustainability Report 2017, Page 3
417-2	Incidents of non-compliance concerning product and service information and labelling	In FY2017, 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 2017.
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