



PHARMESIS INTERNATIONAL LTD

SUSTAINABILITY REPORT 2024

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1. READER'S GUIDE

1.1 About Pharmesis

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, jaundice and clears heat toxic etc. 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 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.

1.2 Report Scope

The Group issues a Sustainability Report on an annual basis, and had published its Sustainability Report 2024 (**"SR"**) for the financial year ended 31 December 2024 in April 2025. This is the Sustainability Report 2024 published by the Group and will cover the period from 1 January 2024 to 31 December 2024 (**"FY2024"**).

In line with our environmental conservation efforts, hard copies of this Report will not be printed. An electronic version of this report is made available on the SGXNET and company's website.

1.3 Methodology

This report has been prepared in compliance with Listing Rule 711A and 711B of the Singapore Exchange Securities Trading Limited (**"SGX"**), and with reference to the Global Reporting Initiative Sustainability Reporting Standards (**"GRI"** Standards) and the Task Force for Climate-Related Financial Disclosures (**"TCFD"**) as set out in Listing Rule 711B on a 'comply or explain' basis (other than as required under Listing Rule 711B(2)). We continue to take steps to fully integrate the TCFD recommendations in our report.

The Company has chosen the GRI Standards as they are the most established international sustainability reporting standard. In this report, we focus on the key material issues for our business. Please refer to the GRI Content Index on page 9 and the TCFD Index on page 11 for relevant references. The Sustainability Report is published annually as part of our Report to Shareholders and is available on both SGX website and our website.

We have relied on internal data monitoring and verification to ensure accuracy of this Report. Our Sustainability Report 2024 has been subject to internal review. We have not sought external assurance for our Sustainability Report 2024 but may consider it in the future. The Group endeavours to continuously improve the content and quality of our non-financial disclosures in alignment with the reporting principles of SGX, GRI Standards and TCFD. We welcome feedback from our stakeholders on this report at: enquiry@pharmesis.com

2. SUSTAINABILITY GOVERNANCE

2.1 Board Statement

The Board of Directors (the “**Board**”) of Pharmesis International Ltd has considered sustainability issues as part of its overall strategy formulation and has determined the environmental, social and governance (“**ESG**”) factors identified as material to the business of the Group. The Board has provided direct guidance to the Company’s management (the “**Management**”) in the preparation of this report. Based on the guidelines of GRI Standards, the Board and the Management determined the material 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 to understand the Group and its business decisions, and allow the Group to be sustainable in the long run.

Board members have also undergone training on sustainability matters to equip themselves with the right knowledge to lead the Company towards sustainability.

2.2 Risk Management

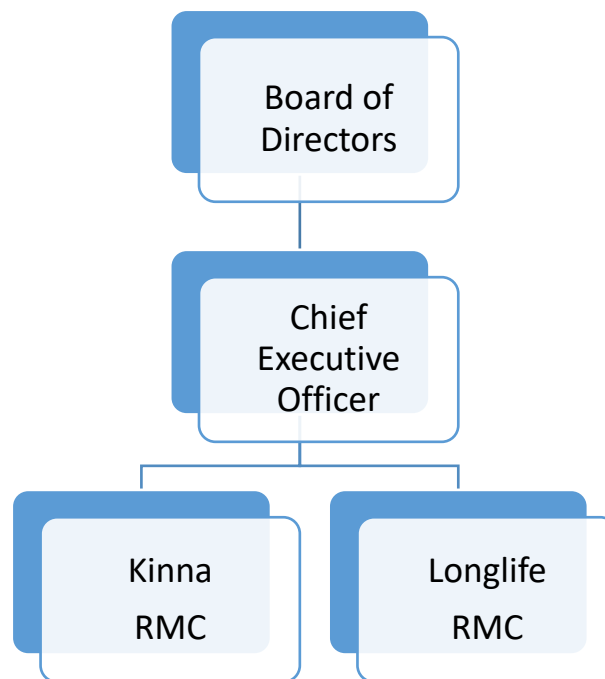
The Risk Management Committee (“**RMC**”) comprising senior representatives from different business units and functions, led by the Chief Executive Officer (“**CEO**”), is responsible to address all risk management issues (including sustainability issues) concerning the Group. The CEO reports to the Board, on the risk management of the Group, including climate-related risks.

The Group’s current risk management process takes into account overall business risks, including climate-related risks. The RMC also keeps abreast of specific emerging risk trends such as climate-related risks.

The RMC conducted an initial risk assessment concerning climate-related risks and their potential impact. The “Climate-related Risks” was entered into the Group’s Risk Register for annual review. The Audit Committee and the Board were updated about Climate-related Risks being added as a new risk under the Enterprise Risk Management framework. Disclosure of climate-related risks and opportunities will be a consideration for our future reports, following a more extensive and in-depth risk assessment.

The RMC will continue to assess the materiality of ESG and related risks to the Group as the ESG landscape continues to evolve.

Figure 1: Pharmesis Sustainability Governance Structure



3. STAKEHOLDERS ENGAGEMENT

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
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4. MATERIALITY ASSESSMENT

The Risk Management committee undertook a materiality assessment process based on 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 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. 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.

5. ESG SUSTAINABILITY REVIEW

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

Focus	Objective & Target	Policies, Performance and Practices												
Economic Performance	Objective: To ensure the Group is in good financial health and is poised for sustainable generation of shareholder value.	<table><tr><th>(RMB million)</th><th>FY2024</th><th>FY2023</th></tr><tr><td>Total revenue</td><td>67.6</td><td>45.6</td></tr><tr><td>Profit/(loss) before tax</td><td>8.4</td><td>(4.9)</td></tr><tr><td>Total Equity</td><td>61.6</td><td>54.2</td></tr></table> The Group achieved a remarkable 48.2% revenue growth, increasing to RMB67.6 million in FY2024 from RMB45.6 million in FY2023. This growth was primarily fuelled by the contribution of RMB28.9 million from the newly established business segment – the procurement of Traditional Chinese Herbs (“TCH”) – which commenced in the second half of FY2024. In tandem with the increase in revenue, gross profit grew by 16.0% to RMB24.1 million in FY2024. Other income amounted to RMB7.1 million in FY2024, primarily driven by the reversal of impairment on construction in progress. The Group recorded selling and distribution costs of RMB10.9 million in FY2024, marking an 11.6% decrease from RMB12.3 million in FY2023, mainly due to lower revenue from drug sales. Administrative costs decreased slightly by 0.5%, from RMB11.3 million in FY2023 to RMB11.2 million in FY2024. With this encouraging performance, the Group returned to profitability with profit before tax of RMB8.4 million in FY2024 compared to a loss before tax of RMB 4.9 million for FY2023.	(RMB million)	FY2024	FY2023	Total revenue	67.6	45.6	Profit/(loss) before tax	8.4	(4.9)	Total Equity	61.6	54.2
	(RMB million)	FY2024	FY2023											
	Total revenue	67.6	45.6											
	Profit/(loss) before tax	8.4	(4.9)											
Total Equity	61.6	54.2												
	Target: To achieve profitability (positive profit before tax) for the current year.	Achieved positive profit before tax in FY2024.												
	Mid-term target: To maintain profitability (positive profit before tax) for 3 years.	Did not achieved positive profit before tax in FY2022 and FY2023.												

Focus	Objective & Target	Policies, Performance and Practices
Product Quality and Safety	Objective: To ensure that product quality and safety is never compromised. Short-term target: To achieve zero drug safety incident for the current year. Mid-term target: To achieve zero drug safety incident for 3 years.	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 FY2024. Achieved zero drug safety incident in FY2024, FY2023 and FY2022.
Occupational Health and Safety	To ensure that our manufacturing facilities remain free from risk to employees, or any other persons on our premises. Short-term target: To achieve zero workplace injuries for the current year. Mid-term target: To achieve zero workplace injuries for 3 years.	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 FY2024. Achieved zero workplace injuries in FY2024, FY2023 and FY2022.

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

GRI Content Index

The GRI Content Index references the Pharmesis International Ltd's Sustainability Report 2024 ("SR"), and the Annual Report 2024 ("AR").

Statement of Use	Pharmesis has reported the information cited in this GRI content index for the period of 1 January 2024 to 31 December 2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure Title	Page Reference
General Disclosures		
2-1	Organisational details	SR, pg. 2 Annual Report: Corporate Profile, pg. 1, Corporate Information, pg. 16
2-2	Entities included in the organisation's sustainability reporting	SR, pg. 2
2-3	Reporting period, frequency and contact point	SR, pg. 2
2-4	Restatements of Information	Not applicable
2-5	External assurance	SR, pg. 4
2-9	Governance structure and composition	SR, pg. 4,5 Annual Report: Board of Directors, pg. 13, Corporate Information, pg. 16
2-10	Nomination and selection of the highest governance body	Annual Report: Corporate Governance Statement, pg. 18
2-11	Chair of the highest governance body	Annual Report: Board of Directors, pg. 13
2-12	Role of the highest governance body in overseeing the management of impacts	SR, Sustainability Governance, pg. 4 Annual Report: Corporate Governance Statement, pg. 18
2-13	Delegation of responsibility for managing impacts	Sustainability Governance, pg. 3 Annual Report: Corporate Governance Statement, pg. 18
2-14	Role of the highest governance body in sustainability reporting	SR, pg. 4, 5, 6
2-15	Conflicts of interest	Annual Report: Corporate Governance Statement, pg. 18

2-16	Communication of critical concerns	Annual Report: Corporate Governance Statement, pg. 18
2-17	Collective knowledge of the highest governance body	Sustainability Governance, pg. 3
2-18	Evaluation of the performance of the highest governance body	Annual Report: Corporate Governance Statement, pg. 18
2-19	Remuneration policies	Annual Report: Corporate Governance Statement, pg. 18
2-20	Process to determine remuneration	Annual Report: Corporate Governance Statement, pg. 32
2-25	Processes to remediate negative impacts	Annual Report: Corporate Governance Statement, pg. 37
2-29	Approach to stakeholder engagement	Annual Report: Corporate Governance Statement, pg. 39

Material Topics

3-1	Process to determine material topics	Materiality Assessment, pg. 6
3-2	List of material topics	Materiality Assessment, pg. 6

Economic Performance

3-3	Management of material topics	SR, ESG Sustainability Review, Economic Performance, pg. 7 Annual Report, Operations Review, pg. 10
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Product Quality and Safety

3-3	Management of material topics	SR, ESG Sustainability Review, Product Quality and Safety, pg. 8
417-2	Incidents of non-compliance concerning product and service information and labelling	SR, ESG Sustainability Review, Product Quality and Safety, pg. 8

Occupational Health and Safety

3-3	Management of material topics	ESG Sustainability Review, Occupational Health and Safety, pg. 8
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8. TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) INDEX

We are in the process of working towards compliance with TCFD requirements and ISSB requirements.

TCFD Pillars	Recommended Disclosures	Page Reference & Remarks
Governance Disclose the organization’s governance around climate-related risks and opportunities.		
	a. Describe the board’s oversight of climate-related risks and opportunities.	Sustainability Governance, pg. 4
	b. Describe management’s role in assessing and managing climate related risks and opportunities.	
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.		
	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	We are carrying out a preliminary risk assessment of how climate change will affect our operations. We are working towards ISSB-aligned climate-related disclosures (CRD) including scope 1 and 2 greenhouse gas (GHG) emissions and the related risks in SR2025. When more information is available, we will present the strategies and plans in our future reports.
	b. Describe the impact of climate related risks and opportunities on the organization’s businesses, strategy, and financial planning.	
	c. Describe the resilience of the organization’s strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	

TCFD Pillars	Recommended Disclosures	Page Reference & Remarks
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.		
	a. Describe the organization’s processes for identifying and assessing climate-related risks.	Sustainability Governance, pg. 4 Risk Management, pg. 4
	b. Describe the organization’s processes for managing climate related risks.	
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
	a. Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	We have not disclosed the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. We are working towards ISSB-aligned climate-related disclosures (CRD) including scope 1 and 2 greenhouse gas (GHG) emissions and the related risks in SR2025. When more information is available, we will present the metrics and targets in our future reports.
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	
	c. Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	