PHARMESIS

PHARMESIS INTERNATIONAL LTD.

MODERN APPROACH, TRADITIONAL REMEDIES

ANNUAL REPORT **2024**

CONTENTS

CORPORATE PROFILE

Listed on the Main Board of the Singapore Exchange in October 2004, Pharmesis International Ltd. 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 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.

In 2009, we acquired a wholly-owned subsidiary, Chengdu Pharmesis Pharmaceutical Co., Ltd. With this acquisition, the Group successfully expanded into the distribution of pharmaceutical products.

Comprising an established extensive sales and marketing network across the PRC, our products can be found in 2,000 hospitals in many cities within the PRC. As well-recognised brand names of pharmaceutical products in the PRC, Pharmesis' line of products have received wide acceptance and numerous awards associated with delivering quality and safe products. By adopting an integrated business model, we aim to provide a one-stop solution to our customers in the PRC, with our research and development, manufacturing and distribution services.

OUR *PRODUCTS*

Pharmesis International Ltd., is a pharmaceutical company in the PRC which can trace its origins back to 1996. Our pharmaceutical products include prescribed drugs and over-the-counter (OTC) drugs. Pharmaceutical products include western medicine products and TCM formulated products under the “国嘉” brand.

Our two GMP-compliant production facilities, with a total land area of approximately 41,000 sqm, are located in Chengdu and Gulin, PRC. We implement strict quality control procedures for our products at every stage of our production process, from the selection of raw materials up to finished products.

GANSU
古蔺肝苏

USAGE

Treatment of acute and chronic hepatitis

FORM

Granules, Tablets and Capsules

功能主治

于慢性活动性肝炎、乙型肝炎、
也可用于急性病毒性肝炎。

类型

颗粒、片剂、胶囊

ATT (ANETHOLE TRITHIONE)
茴三硫

USAGE

Treatment of illness relating to the liver and gall bladder

FORM

Tablets and Capsules

功能主治

用于胆囊炎、胆结石以及急、
慢性肝炎的辅助治疗。

类型

片剂、胶囊

XIAO SHI JIAN PI
消食健脾

USAGE

Treatment of flatus, inappetency, dyspepsy and spleen weakness

FORM

Tablets

功能主治

消食、健脾。用于脘腹胀满。
伤食呕恶、小儿厌食、消化不良、脾胃虚弱。

类型

片剂

ER DING
二丁

USAGE

Treatment of jaundice, clears heat toxin

FORM

Granules

功能主治

消热解毒、利湿退黄。
用于热疖痈毒、湿热黄疸、外感风热等症

类型

颗粒

OUR PRODUCTS

SHULINGHOU
舒灵喉

USAGE

Clears heat and regenerate body fluid. Treatment of acute and chronic pharyngitis, laryngitis, sore throat and hoarseness

FORM

Tablets

功能主治

消热解毒、润燥生津。用于急、慢性咽炎、喉炎，以及因用嗓过度引起的咽喉疼痛，声音嘶哑等。

类型

片剂

FU YANG
肤痒颗粒

USAGE

Expelling wind and activating blood circulation, dehumidifying and relieving itching, used for skin pruritus, urticaria (hives)

FORM

Granules

功能主治

祛风活血，除湿止痒， 用于皮肤瘙痒病，荨麻疹

类型

颗粒

XIAOLUOTONG
消络痛

USAGE

Dispels wind, dampness. For rheumatoid arthritis and other rheumatic diseases

FORM

Capsules

功能主治

散风、祛湿。
用于风湿性关节炎及其他风湿性疾病

类型

胶囊

XIONG DAN CHUAN BEI
熊胆川贝

USAGE

Clears heat,
reduces phlegm,
relieves cough

FORM

Oral liquid

功能主治

清热，化痰，止咳

类型

口服液

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of our Board of Directors, we are pleased to present our annual report for the financial year ended 31 December 2024 (“FY2024”).

I am pleased that we have persevered against all odds, overcoming challenges to achieve a commendable financial performance in FY2024 after two consecutive years of losses. Amid uncertainty and market volatility, the Group capitalised on its competitive advantages and agility to swiftly adapt to the evolving landscape. This milestone underscores the successful execution of our strategy and the resilience of our business. Despite ongoing challenges, the Group remains steadfast in pursuing its strategic goals. Moving forward, we will continue our efforts to drive business growth and enhance profitability.

Facility at Jiangyou (江油设施)

YEAR IN REVIEW

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 fueled 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. These herbal medicines are cultivated in Sichuan, one of China’s largest and most renowned regions for traditional Chinese herb production. The Group sources commonly consumed herbs from local planters, further processes them, and distributes them to customers through its extensive and well-established industry network.

Revenue from the Group’s prescribed drugs segment increased by RMB5.9 million to RMB17.2 million, while revenue from the non-prescription drugs segment decreased by RMB12.8 million to RMB21.6 million in FY2024. The Group has adopted a base pricing model

LETTER TO SHAREHOLDERS

with a low markup percentage to attract customers. This approach encourages bulk orders, with customers making advance payments prior to product delivery, further driving sales volume.

In tandem with the increase in revenue, gross profit grew by 16.0% to RMB24.1 million in FY2024 from RMB20.8 million in FY2023. However, the gross profit margin decreased from 45.6% in FY2023 to 35.7% in FY2024, mainly due to the higher contribution from the TCH procurement segment, which commands a lower margin.

Other income amounted to RMB7.1 million in FY2024, primarily driven by the reversal of impairment on construction in progress. In comparison, other income for the same period in 2023 was RMB3.6 million, largely attributable to insurance proceeds of RMB3.3 million received for a flood incident.

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 a net profit attributable to the equity holders of RMB8.3 million in FY2024, as compared to a net loss of RMB5.0 million in FY2023.

On 30 September 2024, the Group acquired the remaining 19% equity interest in Sichuan Longlife Pharmaceutical Co., Ltd. (四川古蔺肝苏药业有限公司, "Sichuan Longlife") from Chengdu Kinna Investment Co., Ltd. (成都国嘉投资股份有限公司) for a total consideration of RMB2.83 million. This acquisition has increased the Group's ownership of Sichuan Longlife from 81% to 100%.

Sichuan Longlife specializes in the production of Gansu granules, a treatment for acute and chronic hepatitis. Gansu granules have been awarded the "Products of Designation of Origin and Geographical Indications of the PRC," making them the first Traditional Chinese Medicine ("TCM") formulation to receive such recognition. This designation honors products with

Office at Ying Bin Street (迎宾大道办公室)

LETTER TO SHAREHOLDERS

unique national, economic, and cultural significance while ensuring their quality and reputation.

With the increased ownership and the resolution of past overstocking issues, the Group expects Sichuan Longlife to make a growing contribution, as demand is anticipated to recover with the depletion of existing stock levels.

INDUSTRY OUTLOOK

President Xi Jinping has prioritised health in policymaking, recognising its crucial role in driving both social and economic development[1]. The Healthy China 2030 initiative sets out China's long-term healthcare strategy, emphasising the enhancement of healthcare services and the expansion of financial coverage nationwide through legislative reforms and institutional restructuring. The Chinese government's proposals seek to balance quality, cost efficiency, and the development of a value-based healthcare system. Additionally, the government has introduced a comprehensive plan to revitalise Traditional Chinese Medicine through a series of key initiatives, including strengthening TCM healthcare services, training skilled practitioners, fostering innovation, and promoting the integration of TCM with Western medicine[2]. These favourable policies present promising opportunities for the Group.

Chengdu Kinna Pharmaceutical Co., Ltd

Sichuan Longlife Pharmaceutical Co., Ltd

LETTER TO SHAREHOLDERS

The year also saw increased demand for our products, driven by the resolution of overstocking issues from the prior year, as excess inventory was cleared and utilised. In FY2024, we have seen significant growth in revenue from Gansu and Anethole Trithione ("ATT") products as compared to FY2023. The Group has initiated evidence-based research on Gansu and ATT to explore their broader applications and benefits. Upon completion, the findings are expected to reinforce the benefits of these products, driving higher customer demand and further boosting sales.

In the second half of FY2024, the Group expanded into the procurement of Traditional Chinese Herbs, sourcing high-quality herbs cultivated by planters in Sichuan – one of China's largest traditional Chinese herbal medicine production regions. These herbs undergo further processing before being marketed to customers through the Group's extensive and well-established industry network.

Recognising the Chinese government's ongoing efforts to revitalise Traditional Chinese Medicine and its advocacy for the standardised cultivation of Chinese herbs to ensure product quality, the Group has strategically entered this field at an opportune time. This favourable trend is expected to generate additional revenue and contribute to the Group's growth.

Looking ahead, the Group remains committed to its two-pronged strategy: enhancing the revenue streams of its existing pharmaceutical products and growing Traditional Chinese Herbs procurement business segment to strengthen overall profitability. At the same time, the Group will remain vigilant in navigating the rapidly evolving business landscape, adapting its strategies and initiatives as needed to ensure sustained growth and operational efficiency.

APPRECIATION AND ACKNOWLEDGEMENT

First of all, we are delighted to extend a warm welcome to Ms Li Li Jie who has joined us as the Independent Non-Executive Director of Company. With her wealth of experience, we are confident she will bring invaluable perspectives and expertise to the team. We look forward to her contribution as we work together in steering the Group towards sustained growth and success. In addition, Mr. Chew Heng Ching has served on the Board of Directors for over nine years. Following the amendment to the Singapore Exchange Securities Trading Limited's listing manual, he will no longer be considered an independent director. However, given his extensive expertise and experience, he has been re-designated as Non-Independent Non-Executive Chairman to continue contributing to the Board.

We extend our heartfelt gratitude to the management team and our dedicated staff for their unwavering commitment and tireless efforts in driving our business forward. This remarkable turnaround in performance would not have been possible without their hard work, dedication, and exceptional contributions. We are deeply grateful to our customers and suppliers for their loyalty and steadfast support, as well as to our shareholders for their continued confidence in us. Finally, we sincerely thank the Board for their invaluable guidance and leadership throughout the year, which have been instrumental in navigating the challenges of this journey.

Together, let us strive for even greater success in the future.

CHEW HENG CHING
Non-Independent Non-Executive Chairman

WU XUEDAN
Executive Director and Chief Executive Officer

[1] Healthy China 2030: China's healthcare journey, https://www.bayer.com/en/pharma/healthy-china-2030-chinas-healthcare-journey

[2] Plan aims to give TCM a big boost, https://english.www.gov.cn/policies/policywatch/202304/04/content_WS642b79d1c6d03ffcca6ec079.html#:~:text=China%20has%20recently%20released%20a,circular%20released%20on%20Feb%2028.

主席及总裁献词

各位尊敬的股东，

我们谨仅代表董事会呈现截至2024年12月31日（“2024财年”）的业绩及业务报告。

我很高兴我们在逆境中坚持不懈，克服了重重挑战，在连续两年亏损后，于2024财年取得了令人瞩目的财务业绩。面对市场的不确定性和波动，集团充分发挥竞争优势和灵活性，迅速适应了不断变化的环境。这一里程碑不仅彰显了我们战略执行的成功，更体现了企业的强大韧性。尽管挑战依然存在，集团始终坚定不移地朝着战略目标迈进。展望未来，我们将继续致力于推动业务增长，提升盈利能力，为可持续发展奠定坚实基础。

年度回顾

集团在2024财年实现了显著的48.2%收入增长，从2023财年的人民币4,560万元增加至人民币6,760万元。这一增长主要得益于新成立的中药材采购业务板块的贡献，该板块在2024财年下半年启动，并贡献了人民币2,890万元的收入。这些中药材种植于中国最大的中药材产区之一——四川，集团直接从当地种植户采购优质药材，经过进一步加工后，通过其广泛且成熟的行业网络分销至客户。

2024财年，集团处方药业务收入增加了人民币590万元，达到人民币1,720万元；而非处方药业务收入则减少了人民币1,280万元，降至2,160万元人民币。集团采用低价销售策略，以吸引客户并鼓励大宗订单，同时要求客户在产品交付前预付货款，从而进一步推动销售增长。

随着收入的增长，集团的毛利润在2024财年同比增长16.0%，从2023财年的人民币2,080万元增至人民币2,410万元。然而，受中药材采购业务板块贡献增加的影响（该业务毛利率较低），集团的毛利率从2023财年的45.6%下降至2024财年的35.7%。

此外，2024财年，集团的其他收入达人民币710万元，主要来自在建工程减值拨回。相比之下，2023年同期的其他收入为人民币360万元，其中主要包括因洪灾事故获得的人民币330万元保险赔偿。

集团在2024财年的销售和分销成本为人民币1,090万元，较2023财年的人民币1,230万元下降11.6%，主要由于药品销售收入减少所致。行政成本则小幅减少0.5%，从2023财年的人民币1,130万元减少至2024财年的人民币1,120万元。

主席及总裁献词

在强劲业绩的带动下，集团成功扭亏为盈，2024财年归属于股东的净利润达人民币830万元，而2023财年则录得净亏损人民币500万元。

2024年9月30日，集团以总价人民币283万元收购成都国嘉投资股份有限公司所持四川古蔺肝苏药业有限公司（“四川古蔺”）剩余19%股权，使持股比例从81%增至100%。

四川古蔺专注于生产肝苏颗粒，这是一种用于治疗急性和慢性肝炎的药物。肝苏颗粒已获得“中国人民共和国产地指定产品和地理标志”认证，成为首个获此殊荣的传统中药配方。该认证不仅彰显了产品的独特国家、经济及文化价值，也确保了其质量和声誉。

随着股权的全面掌控及库存问题的解决，集团预计四川古蔺将迎来更大增长，尤其是随着市场需求回升和现有库存的逐步消耗，其贡献将进一步提升。

行业展望

习近平主席在政策制定中将健康作为优先事项，充分认识到健康在推动社会与经济发展中的关键作用[1]。“健康中国2030”战略规划明确了中国医疗卫生的长期发展方针，重点提升医疗服务水平，并通过立法改革和体制重组，扩大全国范围内的医疗保障覆盖。中国政府的相关政策旨在平衡医疗质量、成本效益，并推动价值导向型医疗体系的发展。此外，政府还推出了全面的振兴中医药（“TCM”）计划，涵盖关键举措，如加强中医医疗服务、培养专业人才、推动技术创新，以及促进中西医结合。这些有利政策为集团带来了广阔的发展机遇[2]。

集团已启动针对肝苏和茴三硫产品的循证研究，以探索其更广泛的应用和潜在益处。研究完成后，相关发现预计将进一步验证这些产品的功效，增强市场信心，推动客户需求增长，进而提升销售业绩。

在2024财年下半年，集团进入中药材采购领域，精选来自四川的优质中药材。四川是中国最大的中药材生产地区之一。这些中药材经过加工处理后，通过集团广泛且成熟的行业网络推向市场，提供给客户。

鉴于中国政府持续推进中医药振兴，并倡导中药材的规范化种植以确保产品质量，集团在此有利时机下战略性地进入该领域。预计这一积极趋势将为集团带来额外收入，并促进集团的持续增长。

展望未来，集团将坚定实施双管齐下的战略：一方面提升现有医药产品的收入来源，另一方面拓展中药材采购业务，以增强整体盈利能力。同时，集团将密切关注快速变化的商业环境，灵活调整战略与举措，确保持续增长与运营效率。

鸣谢

首先，我们欣然欢迎李丽洁女士加入公司，担任独立非执行董事。凭借她丰富的经验，我们深信她将为团队带来宝贵的见解和专业知识。我们期待与她携手合作，共同引领集团迈向持续增长和成功。此外，周亨增先生在董事会任职已逾九年。根据新加坡交易所证券交易有限公司上市手册的修订规定，他将不再被视为独立董事。然而，鉴于他丰富的专业知识和经验，他已被重新任命为独立非执行主席 ，继续为董事会提供贡献。

我们衷心感谢管理团队和全体员工的坚定承诺与不懈努力，推动集团稳步前行。这一卓越的业绩转变，离不开他们的辛勤付出、奉献精神和卓越贡献。

同时，我们深切感激客户和供应商的长期支持，以及股东们对我们的持续信任。最后，诚挚感谢董事会在过去一年中的宝贵指导和卓越领导，为集团克服挑战、把握机遇、迈向成功发挥了至关重要的作用。

让我们携手共进，共同开创更加辉煌的未来！

周亨增
非独立非执行主席

吴学丹
总裁兼执行董事

[1] Healthy China 2030: China's healthcare journey, https://www.bayer.com/en/pharma/healthy-china-2030-chinas-healthcare-journey

[2] Plan aims to give TCM a big boost, https://english.www.gov.cn/policies/policywatch/202304/04/content_WS642b79d1c6d03ffcca6ec079.html#:~:text=China%20has%20recently%20released%20a,circular%20released%20on%20Feb%2028.

OPERATIONS & FINANCIAL REVIEW

REVENUE

The Group's FY2024 revenue increased by RMB22.0 million or 48.2% from RMB45.6 million in FY2023 to RMB67.6 million in FY2024. Revenue from the Group's Traditional Chinese Herbs procurement segment increased by RMB28.9 million. Revenue from the Group's prescribed drugs segment increased by RMB5.9 million and revenue from non-prescribed drugs segment decreased by RMB12.8 million. Prescribed drugs segment revenue increased mainly due to increase in revenue of ATT. Non-prescribed drugs segment revenue decreased mainly due to decrease in revenue of Er Ding. In December 2022, China ended its zero Covid policy, which led to a sudden spike in orders for Er Ding, which is used to alleviate flu-like symptoms and Shuling Hou which is used to alleviate sore throat symptoms in FY 2023. The demand for these products has decreased significantly in FY2024 due to the elevated sales and over-stocking by customers in previous year.

Gross profit margin decreased from 45.6% in FY2023 to 35.7% in FY2024 mainly due to the higher contribution from lower margin TCH procurement segment. Other income was RMB7.1 million in FY2024, mainly due to reversal of impairment of construction in progress as compared to RMB3.6 million in FY2023, which was mainly due to insurance proceeds of RMB3.3 million for the flood incident.

Selling and distribution costs decreased by RMB1.4 million or 11.6% from RMB12.3 million in FY2023 to RMB10.9 million in FY2024 corresponding to lower revenue from sales of drugs. Administrative costs decreased slightly by RMB0.1 million or 0.5% from RMB11.3 million in FY2023 to RMB11.2 million in FY2024. The decrease in other cost by RMB4.8 million is due to the losses incurred arising from the flood incident in 2023.

Finance income decreased from RMB15,000 in FY2023 to RMB2,000 in FY2024, mainly due to lower finance income from cash and cash equivalents. Finance costs decreased from RMB0.9 million in FY2023 to RMB0.7 million in FY2024.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

As a result of the above, the Group recorded a net profit attributable to shareholders of RMB8.3 million for FY2024 compared to a net loss of RMB5.0 million for FY2023.

FINANCIAL POSITION

The Group's non-current assets were RMB59.3 million as at 31 December 2024, an increase of RMB6.7 million from RMB52.6 million as at 31 December 2023. This was mainly due to the increase in property, plant and equipment arising from the reversal of impairment.

OPERATIONS & FINANCIAL REVIEW

The Group's current assets were RMB56.5 million as at 31 December 2024, an increase of RMB23.2 million from RMB33.3 million as at 31 December 2023. This was mainly due to higher trade receivables, other receivables, partially offset by lower inventories, prepaid expenses, cash and cash equivalents. Trade receivables increased by RMB29.2 million mainly due to the increase in trade receivables arising from the TCH procurement business.

The Group's current liabilities were RMB53.6 million as at 31 December 2024, an increase of RMB23.0 million from RMB30.6 million as at 31 December 2023 mainly due to higher trade payables, accrued liabilities and other payables, lease liabilities and tax payable. Trade payables increased by RMB19.1 million mainly due to the increase in trade payables arising from the TCH procurement business.

The Group's non-current liabilities were RMB0.7 million as at 31 December 2024, a decrease of RMB0.4 million from RMB1.1 million as at 31 December 2023 due to decrease in non-current lease liabilities.

As at 31 December 2024, the Group had a low current ratio of 1.05 and its current assets and current liabilities were RMB56.5 million and RMB53.6 million respectively. The Board assessed that as at 31 December 2024, the Group's current assets were adequate to meet the Group's short-term liabilities, as the Group was in a net current asset position of RMB2.9 million. The Group intends to fulfil its significant payment obligations in the next 12 months by continuing to improve sales, manage costs and cash flows effectively.

CASH FLOW

The Group's cash and cash equivalents amounted to RMB4.6 million as at 31 December 2024, a decrease of RMB4.9 million from RMB9.5 million as at 31 December 2023 mainly due to:

(i) cash outflow used in operating activities of RMB3.1 million;

(ii) cash outflow used in investing activities of RMB3.8 million (RMB1.2 million used in capital expenditure, RMB2.8 million used in acquisition of non-controlling interest, partially offset by proceeds of RMB0.2 million from disposal of property, plant and equipment);

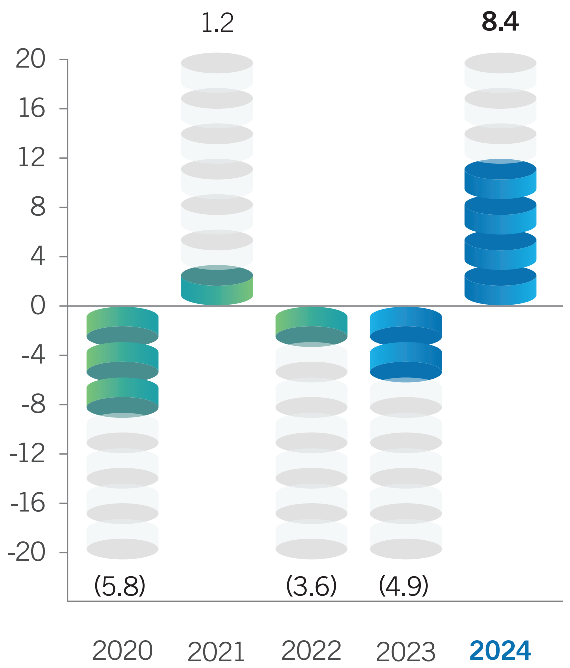
(iii) cash outflow generated from financing activities of RMB 2.0 million mainly due from net proceeds of RMB2.6 million from issue of shares and RMB0.6 million for the repayment of lease liabilities.

SHAREHOLDERS' FUNDS

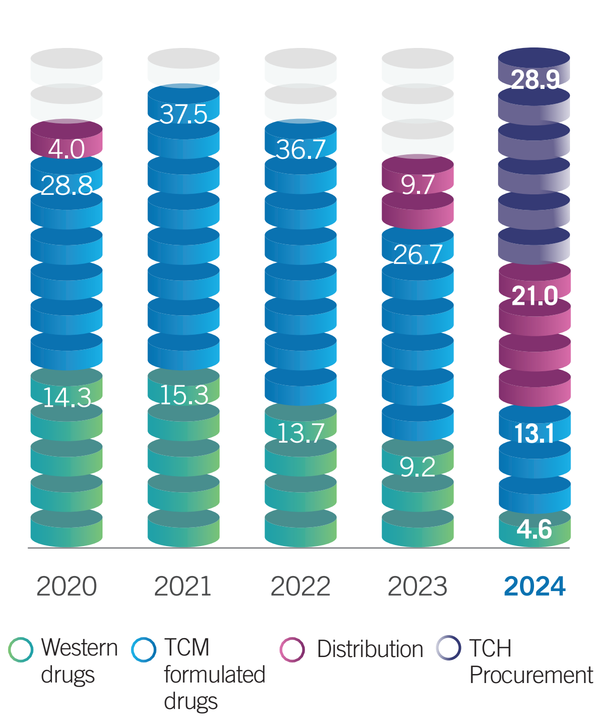
Shareholders' funds amounted to RMB61.6 million as at 31 December 2024. With the Group's net profit attributable to equity holders at RMB8.3 million in FY2024, net profit per share was RMB27.7 cents, compared with net loss per share of RMB18.8 cents in FY2023. Net asset value per share as at 31 December 2024 was RMB1.94.

FINANCIAL HIGHLIGHTS

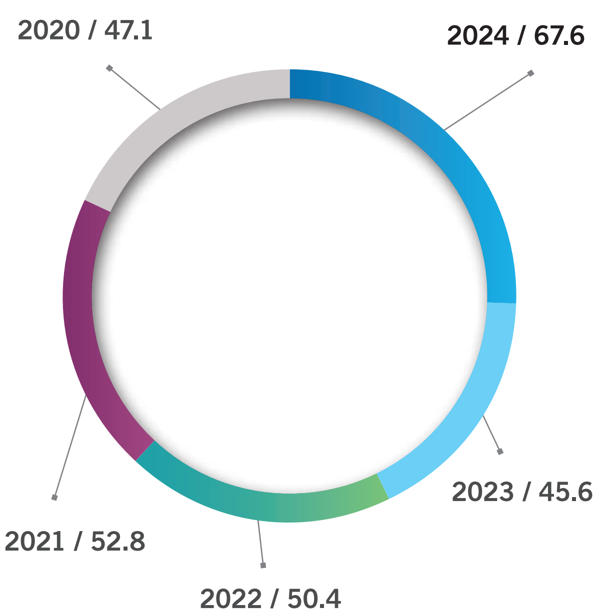
PROFIT/(LOSS) BEFORE TAX



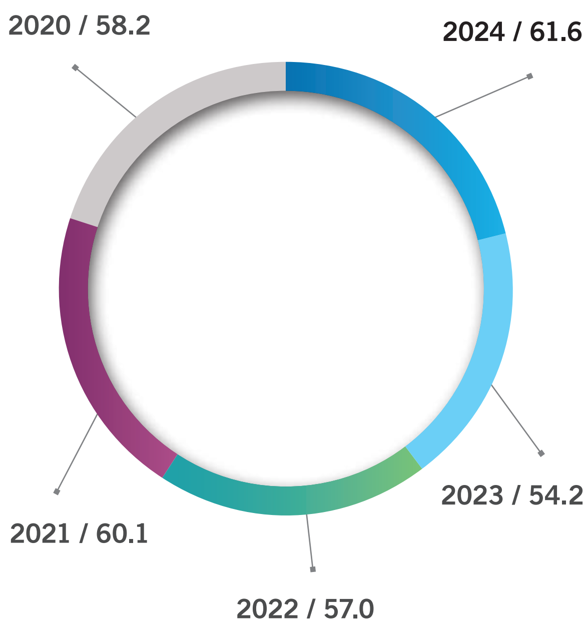
REVENUE BY SECTOR
(RMB MILLION)



TOTAL REVENUE
(RMB MIL)



TOTAL EQUITY (INCLUDE NON-CONTROLLING INTEREST)



BOARD OF DIRECTORS

MR. WU XUEDAN
吴学丹

Executive Director and Chief Executive Officer

Mr. Wu Xuedan has been an Executive Director since 16 April 2004. He was re-appointed as the Chief Executive Officer on 31 December 2017. Previously, he was appointed as the Chief Executive Officer from 5 January 2009 to 1 July 2016. Mr. Wu has many years of experience in the pharmaceutical industry.

Mr. Wu is responsible for the stewardship and guidance of the Group in its developments and future plans. He also oversees the overall management and operations of the Group as well as supervises the research and development activities. Mr. Wu joined Chengdu Kinna in 1996. Prior to that, he was the Production Manager at Chengdu Automobile Maintenance and Repair Factory under the Ministry of Communications (Transport) from 1983 to 1996.

Mr. Wu graduated from Economic Management Correspondence Union University in 1987 specialising in Industrial Enterprise Management. Mr. Wu also holds a Diploma in Mechanical Manufacturing from Wuhan Water Transport Secondary Specialised School.

执行董事兼总裁

吴学丹先生在2004年4月16日加入本公司担任执行董事一职。吴先生并于2017年12月31日再次被委任为总裁。吴先生曾在2009年1月5日至2016年7月1日担任总裁。他在生物医药领域上拥有丰富的经验。

吴先生将把握集团发展方向，制定运营策略，全面管理、经营本集团和研究等事项。他在1996年加入国嘉制药，而在之前的1983年至1996年间，他也担任过交通部成都汽车保修机械厂的生产科科长。吴先生在1987年毕业于经济管理刊授联合大学工业企业管理专科。他也同时拥有武汉水运工业学校的机械制造专业文凭。

***BOARD OF** DIRECTORS*

MR. CHEW HENG CHING
周亨增

Non-Independent Non-Executive Chairman

Mr. Chew Heng Ching has been an Independent Non-Executive Director since 9 November 2005. He assumes the role of Non-Executive Chairman on 5 January 2009. Mr. Chew has relinquished his position as the Chairman of the Company and he has been appointed as Lead Independent Director of the Company on 15 January 2015. He was re-designated from Lead Independent Director to Non-Executive Chairman and Independent Director on 1 July 2016. Mr. Chew was re-designated as Non-Independent Non-Executive Chairman on 30 April 2024. Mr. Chew has more than 30 years of senior management experience in both the private and public sectors.

In corporate life, Mr. Chew is the founding President of the Singapore Institute of Directors and was Past Chairman of its Governing Council. He sits on the board of various publicly listed companies in Singapore and chairs their various Board Committees. He was a Member of the Council on Corporate Disclosure and Governance. He was also a Board member and Past Chairman of the Singapore International Chamber of Commerce. He was a Council Member of the Singapore Business Federation. In public life, Mr. Chew was a Member of Parliament from 1984 to 2006 and a former Deputy Speaker of the Singapore Parliament. He served on the Board of various charities previously. A Colombo Plan scholar, Mr. Chew is a graduate in Industrial Engineering (1st Class Honours) and Economics. He also holds an Honorary Doctorate in Engineering. He is a fellow of the Singapore Institute of Directors and CPA Australia.

非独立非执行主席

周亨增先生自2005年11月9日被委任为独立兼非执行董事，并在2009年1月5日受委成为非执行主席。周先生自公司主席的职位卸任后，并于2015年1月15日受委成为首席独立董事。周先生于2016年7月1日将首席独立董事的职位卸任后，再次受委成为独立非执行主席。周先生于2024年4月30日受委成为非独立非执行主席。他拥有超过30年的高级管理层经验，跨足私人及公共领域。

在企业领域上，周先生是新加坡董事学会的创办人，也是其管理委员会的前主席。他目前是许多本地上市公司的董事，并担任其委员会主席。他曾是企业披露与监管理事会的成员。他是新加坡国际会的前主席，目前依然是该会成员。他也担任过新加坡工商联合总会的理事会成员。

在公共服务方面，周先生从1984年至2006年担任国会议员，也曾担任国会副议长。他曾经在许多慈善机构的董事局里服务。

身为一名科伦坡计划奖学金得主，周先生获得工业工程（一等荣誉）以及经济学位。他也同时拥有工程荣誉博士学位。他目前是新加坡董事学会以及澳大利亚注册会计师学会的成员。

BOARD OF DIRECTORS

MR. EUGENE SEOW YONG TENG

萧勇詠

Independent Non-Executive Director

Mr. Seow was appointed as Independent Non-Executive Director of our Company on 1 October 2023. Mr. Seow is currently the Chief Financial Officer of Nexif Ratch Energy Investments Pte Ltd. (NRE). Prior to his appointment in NRE, Mr. Seow had been Chief Financial Officer/ Head of Finance in private and public listed companies in PRC and Singapore, spanning a range of industries including renewable energy, manufacturing, construction and engineering etc. He has more than 20 years of experience in financial accounting and reporting, budgeting, corporate finance, and corporate governance. Mr. Seow holds a Degree in Accountancy from the Nanyang Technological University, Singapore. Mr. Seow is a Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants and a Member of Singapore Institute of Directors.

独立非执行董事

萧先生于2023年10月1日被任命为本公司独立非执行董事。萧先生现任 Nexif Ratch Energy Investments Pte Ltd 的首席财务官。在加入NRE之前，萧先生曾在中国和新加坡的私人和上市公司担任首席财务官/财务总监，涵盖了可再生能源、制造、建筑和工程等多个行业。他在财务会计和报告、预算公司财务和公司治理方面拥有20多年的经验。萧先生拥有新加坡南洋理工大学会计学学位。萧先生是新加坡特许会计师协会的新加坡特许会计师以及新加坡董事学会的会员。

MS. LI LI JIE

李丽洁

Independent Non-Executive Director

Ms. Li was appointed as Independent Non-Executive Director of our Company on 31 May 2024. Ms. Li is currently a retiree. She has more than 30 years of experience in business management, human resources, marketing and business administration. Ms. Li holds a degree majoring in Business Administration from Sichuan University, and a degree majoring in business management from Sichuan Academy of Social Sciences.

独立非执行董事

李女士于2024年5月31日获委任为本公司独立非执行董事。李女士现为退休人士。她在企业管理、人力资源、市场营销和工商管理方面拥有超过30年的经验。李女士拥有四川大学工商管理专业学位以及四川社会科学院企业管理专业学位。

CORPORATE INFORMATION

BOARD OF DIRECTORS
Wu Xuedan
(Chief Executive Officer and Executive Director)
Chew Heng Ching
(Non-Independent Non-Executive Chairman)
Seow Yong Teng
(Independent Non-Executive Director,
Lead Independent Director)
Li Li Jie
(Independent Non-Executive Director)

AUDIT COMMITTEE
Seow Yong Teng (Chairman)
Chew Heng Ching
Li Li Jie

NOMINATING COMMITTEE
Seow Yong Teng (Chairman)
Chew Heng Ching
Li Li Jie

REMUNERATION COMMITTEE
Seow Yong Teng (Chairman)
Chew Heng Ching
Li Li Jie

COMPANY SECRETARY
Ms Lin Moi Heyang
Ms Tang Pei Chan

REGISTERED OFFICE
5 Kallang Sector #03-02
Singapore 349279
Tel: (65) 6846 0766
Fax: (65) 6743 7916
Email: enquiry@pharmesis.com

SHARE REGISTRAR
In.Corp Corporate Services Pte. Ltd.
36 Robinson Road, #20-01
City House
Singapore 068877

AUDITORS
Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay North Tower Level 18
Singapore 048583
Partner-in-charge: Ms. Sharon Peh
(Appointed since financial year ended 31 December 2022)

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of Chengdu
SPD Bank

CORPORATE GOVERNANCE STATEMENT
AND FINANCIAL CONTENTS

CORPORATE GOVERNANCE STATEMENT

Pharmesis International Ltd. (the "**Company**") and its Management are committed to maintaining a high standard of corporate governance to safeguard the interest of all its stakeholders.

The Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**") requires an issuer to describe its corporate governance practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 (the "**Code**"), issued by the Monetary Authority of Singapore on 6 August 2018 and amended on 11 January 2023, in its annual report, as well as disclose any deviation from any provision of the Code and explain how the practices it had adopted are consistent with the intent of the relevant principle. This report outlines the Company's corporate governance practices throughout the financial year ended 31 December 2024 ("**FY2024**") with specific reference to the Code. Where there are deviations from the Code, explanations are provided.

BOARD MATTERS
THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board's primary role is to protect shareholders' interests and enhance long-term shareholders' value. It sets the overall strategy for the Company and its subsidiaries (the "**Group**"), and supervises the management. To fulfil this role, the Board is responsible for setting the strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals.

Apart from its statutory responsibilities, the Board's principal functions include the following:–

(i) approve annual reports, periodic financial announcements and accounts;

(ii) ensure management leadership of high quality, effectiveness and integrity;

(iii) appoint key management personnel;

(iv) review financial performance and implement financial policies which incorporate risk management, internal controls, and reporting compliance; and

(v) assume responsibility for corporate governance framework of the Company.

<u>Conflict of Interest</u>

Where a Director's personal or business interest interferes, or even appears to interfere, in any way with the interests of the Company, the Director must disclose such interest at a meeting of the Directors or by sending a written notice to the Company Secretary, containing details of the interest and the nature of the conflict and recuse themselves from participating in any discussion or decision on the transaction or proposed transaction involving the issues of conflict.

In the event the Board Meetings are not convened, the Board may use circular resolution in writing to sanction certain decisions.

CORPORATE GOVERNANCE *STATEMENT*

Matters Requiring Board's Approval

The Group has adopted and documented internal guideline setting out matters which require the Board's approval. Matters which are specifically reserved for decision of the full Board include:–

(i) approve the Group's corporate and strategic directions;

(ii) approve annual budgets, investment and divestment proposals;

(iii) material acquisition and disposal of assets;

(iv) capital-related matters including financial re-structure, market fund-raising, share issuance, interim dividend and other returns to shareholder; and

(v) convening of general meetings.

Clear written directions are in place and communicated to management to adhere to the above.

Delegation to Board Committees

To assist in the execution of its responsibilities, the Board is supported by a number of committees which include Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Audit Committee ("**AC**"). These committees have written terms of reference, which are reviewed on a regular basis. The Board accepts that while these Board Committees have the authority to examine particular issues and report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Attendance at Board and Committee Meetings

The Board meets at least four (4) times a year to oversee the business affairs of the Group and approve any financial or business strategies or objectives. Where necessary, additional Board meetings and committee meetings are held to deliberate on urgent substantive matters. Telephonic attendance and conference via audio communication at Board meetings are allowed under the Company's Constitution. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company. Management ensure that the directors are equipped with complete, adequate and timely information prior to meetings and on an on-going basis in order for them to make informed decisions and discharge their duties and responsibilities.

CORPORATE GOVERNANCE STATEMENT

The details of the number of Board and Board Committees meetings and general meeting held during the FY2024 and the attendance of each Board member at those meetings are disclosed as follows:

Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee		AGM
	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(1)	4	4	N.A.	N.A.	N.A.	N.A.	1	1	1
Mr. Chew Heng Ching	4	4	4	4	1	1	1	1	1
Mr. Seow Yong Teng	4	4	4	4	1	1	1	1	1
Ms. Lin Yimin(2)	1	0	1	0	N.A.	N.A.	N.A.	N.A.	0
Ms. Li Li Jie(3)	2	2	2	2	N.A.	N.A.	N.A.	N.A.	N.A.

Notes:
1. Mr. Wu Xuedan ceased as a member of the Nominating Committee on 30 April 2024.
2. Ms. Lin Yimin retired as Non-Independent Non-Executive Director of the Company at the conclusion of the AGM on 30 April 2024 and concurrently relinquished her position as a member of the Audit Committee of the Company.
3. Ms. Li Li Jie was appointed as Independent Non-Executive Director and a member of the AC, NC and RC of the Company on 31 May 2024.

If a Director was unable to attend a Board or Board committee meeting, he or she would still receive all the Board papers and materials for discussion at that meeting. He or she would review them and advise the Chairman of the Board or the Board committee chairman of his or her views and comments on the matters to be discussed so that they may be conveyed to other members at the meeting.

Directors' Orientation and Training

Any newly appointed Director will be given an orientation to the Group's operational facilities in the People's Republic of China ("**PRC**") and meet up with senior management to provide background information about the Group's history and business operations. A formal letter of appointment will be furnished to the newly appointed director, upon his/her appointment during the financial year, explaining among other matters, the roles, obligations, duties and responsibilities as a member of the Board.

In addition, the Board is provided with regular updates with respect to new laws, rules, regulations, listing requirement, governance practices and other regulations in order to adapt to the changing commercial risks relating to the business and operations of the Group. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a SGX-ST listed company, will undergo the necessary training and briefing as prescribed by the SGX-ST.

The Board recognises the importance of ongoing professional development for the Directors and gives opportunities to Directors to develop their skills and knowledge. If required, training or briefings by external consultants or counsel will be organised for the Board. The Company will bear the costs of such training if so recommended and approved by the Board.

CORPORATE GOVERNANCE STATEMENT

The Board is briefed on any recent changes to the accounting standards and regulatory framework. New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are also circulated to the Board as part of the Company's effort to facilitate the continuing education to the Directors.

Under the enhanced SGX sustainability reporting rules, all directors of SGX listed companies are required to attend a one-time training on sustainability matters. All the Directors of the Company, including the newly appointed Director in FY2024, Ms. Li Li Jie, have attended the training on sustainability.

Access to Information

From time to time, the directors are furnished with detailed information concerning the Group to enable them to be fully aware and understand the decisions and actions of the management of the Group. The Board has unrestricted access to the Group's records and information. Generally, Board papers are required to be sent to directors at least four (4) days before the Board meeting so that members of the Board may better understand the matters before the Board meeting and discussion may be focused on questions that the Board has about the Board papers. The Board papers include sufficient information from the management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings.

The independent directors have separate and independent access to the Group's senior management and Company Secretary at all times. The Company Secretary ensures that the Board's procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act 2001, the Companies Act 1967 and the SGX's Listing Manual, are complied with. The Company Secretary also assists the Chairman in ensuring information flows within the Board and its Board Committees and between management and the Non-Executive Directors.

The appointment and removal of the Company Secretary are subject to the approval of the Board. The Board also takes independent professional advice as and when necessary to enable them to discharge their responsibilities effectively.

Subject to the approval of the Chairman, Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the Company's expense.

CORPORATE GOVERNANCE STATEMENT

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board comprises four (4) Directors: Two (2) Independent Non-Executive Directors, one (1) Executive Director and one (1) Non-Independent Non-Executive Director. Their collective experience and contributions are valuable to the Group.

The Directors as at the date of this report are listed as follows:

Mr. Wu Xuedan	Executive Director and Chief Executive Officer
Mr. Chew Heng Ching	Non-Independent Non-Executive Chairman
Mr. Seow Yong Teng	Independent Non-Executive Director & Lead Independent Director
Ms. Li Li Jie	Independent Non-Executive Director

Provisions 2.2 and 2.3

Composition of Independent Directors and Non-Executive Directors on the Board

Under the Listing Rules, the Independent Directors should make up one-third of the Board. The composition of the Board complies with the Listing Rules.

Under Provision 2.2 of the Code, the Independent Directors should make up a majority of the Board where the Chairman is not an independent director while under Provision 2.3 of the Code, Non-executive Directors should make up a majority of the Board. The current Board complies with Provision 2.3 of the Code as it comprises majority Non-executive Directors.

On the requirement of Provision 2.2 to have independent directors make up majority of the Board, considering the current business operation of the Group, the size of the board of four which comprises two Independent Directors board led by a Lead Independent Director does provide a good balance of authority and power within the Board.

The Board constantly examines its size with a view to determining the number for effective decision-making. The Board is of the view that its current size is appropriate, which facilitates effective decision-making. No individual or group of individuals dominates the Board's decision-making process.

Directors' Independence Review

Rule 210(5)(d) of Listing Manual provides circumstances for which a director will not be independent, including if he is employed by the issuer or any of its related corporations for the current or any of the past three (3) financial years; if he has an immediate family member who is, or has been in any of the past three (3) financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee; and if he has been a director for an aggregate period of more than nine (9) years (whether before or after listing). Under the Code, a director who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company, is considered to be independent.

CORPORATE GOVERNANCE STATEMENT

The NC will review the independence of each director annually, bearing in mind the circumstances set forth in the Code and the Listing Manual as well as other relevant circumstances and facts. Each of the Independent Directors has provided a confirmation of his independence to the NC. The NC has reviewed, determined and confirmed the independence of the Independent Directors in respect of FY2024.

Each member of the NC and of the Board recused themselves from deliberations in respect of the assessment of his independence.

Independence of Director who have served on the Board beyond Nine (9) Years

Mr. Chew Heng Ching was appointed as an Independent Director on 9 November 2005 and has served the Board for more than nine (9) years. His continued appointment as Independent Director had been sought and approved by two-tier voting at the annual general meeting held on 28 April 2021. Accordingly, Mr. Chew continued his appointment as an Independent Non-Executive Chairman of the Company until the conclusion of the annual general meeting of the Company held on 30 April 2024.

Following the amendment of Rule 210(5)(d) of the Listing Manual on 11 January 2023 which removed the two-tier vote mechanism for companies to retain long-serving independent directors who have served for more than nine (9) years.

Mr Chew was re-designated as Non-independent Non-executive Director of the company on 30 April 2024.

The NC and the Board have determined that Mr. Chew as Chairman of the Board, has provided stability to the Board, and the Group has benefited from his counsel. Mr. Chew has, over time, not only gained valuable insight into the Group, its business, markets, and industry but has also brought the breadth and depth of his business experience to the Company. His length of service has not in any way interfered with his exercise of independent judgement nor hindered his ability to act in the best interests of the Company. After due consideration and careful assessment, the NC and the Board are of the view that Mr. Chew is able to continue to discharge his duties as director of the Company.

Board Diversity

The Company has adopted a Board diversity policy which sets out its approach to achieving diversity on the Board. The Company recognises that increasing the diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board while also considering diversity.

The target, timeline and progress towards achieving the diversity objectives are summarised below:

Targets, Plans and Timelines	Targets Achieved/Progress Towards Achieving Targets
Gender	
To have at least one (1) female director on the Board by FY2026. The Company believes in achieving an optimum mix of male and female on the Board to provide different approaches and perspectives.	Achieved – As at the end of FY2024. Ms. Lin Yimin who was a member of the Board since 31 July 2023, opted not to seek for re-election at the annual general meeting on 30 April 2024. Ms. Li Li Jie was appointed as member of the Board on 31 May 2024 The Board will use reasonable endeavours to ensure that any brief to recruiters to source for candidates for appointment to the Board will include a requirement to present female candidates with relevant knowledge.
Age Diversity	
To ensure the Board comprises Directors across the following age groups by FY2028: (a) 50 and below; (b) 51 – 60; and (c) 61 and above The Company believes that age diversity would provide a broad spectrum of thoughts and views in Board and Board Committee deliberations.	In Progress – As at the end of FY2024, the Board comprises Directors across two age groups. In particular, 1 Director is 50 years old and below and the other 3 Directors are 61 years old and above. The Board will use reasonable endeavours to source for suitable candidates with relevant knowledge while also being mindful of age diversity.
Skills and experience diversity	
To ensure that the Directors, as a group, possess: (a) a variety of skill sets, including in core competencies, industry knowledge and other fields of expertise, such as accounting, finance, management experience; and (b) a mix of industry, business acumen and listed company board experience.	In Progress – As at the end of FY2024, the Board comprises Directors who, as a group, possess a majority of the identified core skills and experience. In terms of skill sets, the Board comprises Directors with a variety of skills and expertise in areas including accounting finance, and corporate governance. In terms of experience, the Board comprises Directors who are corporate and business leaders and who collectively have experience in general business management, and have international or regional experience. In terms of industry experience, the Board in particular is considering ways in which to improve and add expertise towards the sharing, perception and growth of industry knowledge.

The NC reviews its targets for diversity from time to time and may recommend changes or additional targets to achieve greater diversity.

CORPORATE GOVERNANCE *STATEMENT*

Non-Executive Directors

The Independent and Non-Executive Directors constructively challenge and help to develop the proposals on strategy of the Company. They also review and monitor the performance of the Management. During FY2024, the Independent and Non-Executive Directors met informally without the presence of Management to discuss the affairs of the Company, as and when required and the Independent and Non-Executive Directors would provide feedback to the Board and/or Chairman as appropriate after such meetings.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Board subscribes to the principle set out in the Code on the separation of the roles of the Chairman and the Chief Executive Officer ("**CEO**"). The roles and responsibilities of the Chairman and CEO in the Company are distinct and separate. This is to ensure appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. Mr. Chew Heng Ching is the Non-Executive Non-Independent Director, Chairman of the Board of Directors. Mr. Wu Xuedan is the CEO of the Company. The Chairman and the CEO are not related to each other.

There is a clear division of responsibilities between the leadership of the board and management, and no one individual has unfettered powers of decision-making.

The Chairman's responsibilities include:

(i) scheduling meetings and leading the Board to ensure its effectiveness and approves the agenda of Board meetings in consultation with the CEO;

(ii) reviewing key proposals and Board papers before they are presented to the Board and ensures that Board members are provided with accurate and timely information;

(iii) ensuring that Board members engage Management in constructive debate on various matters including strategic issues and business planning processes; and

(iv) promoting high standards of corporate governance.

The CEO is responsible for the day-to-day management of the affairs of the Group. He takes a leading role in developing and expanding the businesses of the Group and ensures that the Board is kept updated and informed of the Group's business.

Given that the roles of the Chairman and CEO are separate but the Chairman is non-independent, a Lead Independent Director is appointed.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises the following directors, the majority of whom including the Chairman is independent. The Chairman is not associated with the substantial shareholders of the Company:

Mr. Seow Yong Teng	Chairman
Mr. Chew Heng Ching	Member
Ms. Li Li Jie	Member

The Board has approved the written terms of reference of the NC, whose principal functions include the following:

(i) make recommendations to the Board on all Board appointments taking into account the director's contribution and performance;

(ii) review the Board's structure, size and composition, having regard to the principles of the Code and make recommendations to the Board with regards to any adjustments that are deemed necessary;

(iii) procure at least one-third (1/3) of the Board shall comprise of independent directors (or such other minimum proportion and criteria as may be specified in the Code from time to time);

(iv) identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;

(v) formulate succession plan, in particular for the Chairman and CEO;

(vi) determine, on an annual basis, whether a director is independent based on the circumstances set forth in the Code;

(vii) recommend directors who are retiring by rotation to be put up for re-election;

(viii) decide whether or not a director is able to carry out and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations and other principal commitments;

(ix) assess the effectiveness of the Board as a whole and assess the contribution of each individual director to the effectiveness of the Board on an annual basis;

(x) recommend to the Board on the review of training and professional development programmes for the Board, and

(xi) conduct rigorous review on the independence of a director who has served on the Board beyond nine (9) years from the date of his appointment.

CORPORATE GOVERNANCE STATEMENT

The NC has carried out its responsibilities as set out above during FY2024, including but not limited to, carrying out the following activities summarised below:

(i) reviewed the structure, size and composition of the Board and Board Committees.

(ii) facilitated the annual evaluation of the performance of the Board, Board Committees and individual Director and reviewed with the Board the results of such evaluation.

(iii) reviewed the training and professional development programs for the Board.

(iv) reviewed and determined the independence of each Director and recommended to the Board their independence.

(v) nominated retiring Directors for re-elections at the forthcoming AGM and recommended to the Board their re-elections.

Process for Selection and Appointment of New Directors

The Board has put in place procedures on selection, appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

In identifying suitable candidates, the NC may:

1. Advertise or seek services of external consultants to facilitate a search,

2. Approach alternative sources such as the Singapore Institute of Directors.

3. Consider candidates from a wide range of backgrounds from internal or external sources, i.e. personal contacts and recommendation of the Director.

After short listing the candidates, the NC shall:

(a) consider and interview the candidates to assess their suitability taking into account the existing Board composition and strives to ensure that the Board has an appropriate balance of Independent Directors as well as qualification and experience of each candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives and to ensure that the candidates are aware of the expectations and level of commitment required of them; and

(b) evaluate and agree to a preferred candidate for recommendation to and appointment by the Board.

CORPORATE GOVERNANCE *STATEMENT*

Process for Re-appointment of Directors

Pursuant to the Company's Constitution, each year, not less than one-third of the Directors are required to retire from office and are individually subject to re-election by shareholders at the annual general meeting ("**AGM**") of the Company.

In addition, every Director is required to retire from office and be subject to re-election at least once every three years.

All newly appointed directors during the year shall retire at the next AGM. Retiring Directors are eligible for re-election.

The NC has recommended to the Board that Mr. Wu Xuedan who is due for retirement by rotation pursuant to Article 91 of the Constitution, and Ms. Li Li Jie who is due for retirement pursuant to Article 97 of the Constitution be nominated for re-election at the forthcoming AGM. In making its recommendation, the NC evaluates such directors' contribution and performance, such as their attendance at meetings of the Board and Board Committees, where applicable, candour and any special contributions. As part of the appointment and re-appointment process, the NC will also consider whether a director with multiple board representations is able to carry out, and has been devoting sufficient time to adequately carry out his duties as a Director of the Company, with regard to the director's number of listed company board representations and other principal commitments.

Both Mr. Wu Xuedan and Ms. Li Li Jie have given their consent to stand for re-election and abstained from participating in discussion, voting, or making any recommendation in respect of their own re-election as a Director of the Company.

Mr. Wu Xuedan will, upon re-election as a Director, remain as Executive Director. There are no relationships including family relationships between Mr. Wu Xuedan and the other Directors, the Company and its related corporations, its substantial shareholders and its officers. Further information on Mr. Wu Xuedan can be found in this Annual Report.

Ms. Li Li Jie will, upon re-election as a Director, remain as Independent Non-Executive Director and member of the AC, NC and RC. There are no relationships including family relationships between Ms. Li Li Jie and the other Directors, the Company and its related corporations, its substantial shareholders and its officers. Further information on Ms. Li Li Jie can be found in this Annual Report.

Independence of Directors

The NC is also responsible for determining annually, the independence of directors. In its annual review, the NC, having considered the provisions set out in the Code and the Listing Manual, has confirmed the Non-Executive Directors namely, Mr. Seow Yong Teng and Ms. Li Li Jie are independent. The NC have reviewed and is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

CORPORATE GOVERNANCE STATEMENT

Directors' Time Commitments and Multiple Directorships

Board member's others directorships and principal commitment are disclosed as follows:

Name of Director	Nature of Appointment	Date of Initial Appointment	Date of Last Re-election	Membership of Board Committee	Directorship in other Listed Companies and other Principal Commitment
Mr. Chew Heng Ching	Independent Non-Executive Director	9 November 2005	30 April 2024	Member of AC, NC, and RC	Directorship Present:– i) Ausgroup Limited ii) RHT Worldbridge Holdings Pte Ltd iii) Crocodile Holdings Pte Ltd iv) HL Global Enterprises Limited Preceeding three years:– i) Bonvests Holdings Limited Other Principal Commitment Nil
Mr. Wu Xuedan	Executive Director	16 April 2004	28 April 2023	Nil	Directorship Present:– Nil Other Principal Commitment Nil
Ms. Lin Yimin (retired on 30 April 2024)	Non-Independent Non-Executive Director	31 July 2023	N.A.	Member of AC	Directorship Nil Other Principal Commitment Teacher at School of International Education, Tianfu College, Southwestern University of Finance and Economics Work

CORPORATE GOVERNANCE STATEMENT

Name of Director	Nature of Appointment	Date of Initial Appointment	Date of Last Re-election	Membership of Board Committee	Directorship in other Listed Companies and other Principal Commitment
Mr. Seow Yong Teng	Independent Non-Executive Director	1 October 2023	30 April 2024	Chairman of AC, NC, and RC	Directorship Present:– i) Nexif Energy Song Giang Pte. Ltd. ii) Nexif Energy BT Pte. Ltd. iii) Nexif Energy Philippines Pte. Ltd. iv) Nexif Energy Vinh Hai (Singapore) Pte. Ltd. v) Nexif Energy Thailand Pte. Ltd. vi) NRE VN Hydro Pte. Ltd. Other Principal Commitment i) Chief Investment Officer, Nexif Ratch Investments Pte. Ltd.
Ms. Li Li Jie	Independent Non-Executive Director	31 May 2024	N.A.	Member of AC, NC, RC	Directorship Nil Other Principal Commitment Nil

The Board does not prescribe a maximum limit on the number of listed company board representations a director may hold, as the Board believes that a director can only determine by himself the number of board representations he can manage and the more appropriate measure is the ability of such Director to contribute effectively and demonstrate commitment to his role, including commitment of sufficient time and attention to the Group's business and affairs.

CORPORATE GOVERNANCE STATEMENT

Succession Planning

Succession planning is an important part of the corporate governance process. The NC seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC members abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations in respect of matters in which he has an interest in.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC has an annual Board performance evaluation to assess the effectiveness of the Board as a whole and the Board Committees and the contribution of each director to the effectiveness of the Board by having the directors complete a Performance Evaluation Questionnaire. The findings are analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

The NC, in assessing the contribution of each director, had considered his attendance and participation at Board and Board Committee meetings, his qualification, experience and expertise and the time and effort dedicated to the Group's business and affairs including management's access to the directors for guidance or exchange of views as and when necessary. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered.

Such criteria include return on equity and the achievement of strategic objectives.

The completed Performance Evaluation Questionnaire are submitted to the Company Secretary for collation. The consolidated responses are presented to the NC for review before submitting to the Board for discussion. The Board then decides the relevant areas for improving and enhancing the effectiveness of the Board. For FY2024, the Board has performed the evaluation and is of the view that the Board as a whole operates effectively and the contribution by each individual Director is satisfactory.

The Company does not engage an external facilitator in respect of the board performance evaluation. Where relevant, the NC will consider such an engagement.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE OF REMUNERATION

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The RC comprises of three (3) members, all of whom are non-executive and the majority of whom, including the RC Chairman, are independent. The members of the RC are:

Mr. Seow Yong Teng	Chairman
Mr. Chew Heng Ching	Member
Ms. Li Li Jie	Member

The RC comprises three (3) members, who are the non-executive Directors of the Board. The Board believes that the current structure and membership of the RC is beneficial to the Company and minimises the risk of any potential conflict of interest.

The Board has approved the written terms of reference of the RC, whose principal functions include the following:

(i) review and recommend to the Board a general framework of remuneration and specific remuneration packages for the Board and key management personnel of the Group, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and rewards, and benefits in kind.

(ii) determine performance-related elements of remuneration to align interests of Executive Directors with those shareholders and link rewards to corporate and individual performance.

(iii) review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contract of services and to ensure the contract of service contain fair and reasonable termination clauses which are not overly generous.

(iv) review the remuneration package and terms of employment for Executive Directors, key management personnel and employees who are related to any Director, CEO or substantial shareholder of the Company.

CORPORATE GOVERNANCE STATEMENT

The RC met once during the financial year. The RC has carried out its responsibilities as set out above during FY2024, including but not limited to, carrying out the following activities summarised below:

(i) reviewed and recommended the remuneration of the Executive Directors and key management personnel.

(ii) reviewed and recommended to the Board the directors' fees for FY2024.

The RC may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Company to stay competitive in its remuneration packages. During FY2024, there is no remuneration consultant being appointed.

The RC, in establishing the framework of remuneration policies for its directors and key management personnel, is largely guided by the financial performance of the Company. The primary objective of the RC is to align the interests of management with that of the shareholders. In this regard, the RC believes that remuneration should be competitive and sufficient to attract, retain and motivate the Executive Directors and key management personnel to better manage the Company. The RC considers all aspects of remuneration (including Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind and termination payments) and aims to ensure they are fair and avoid rewarding poor performance. The performance of Executive Directors (including other key management personnel) is reviewed periodically by the RC and the Board for the entitlement on the long-term incentive scheme which is put in place to motivate and reward employees and align their interest to maximise long-term shareholder value.

The Executive Directors do not receive directors' fees. The remuneration package adopted for the Executive Directors are as per service contract entered into between the Executive Directors and the Company. The remuneration policy for Executive Directors and the key management personnel consists of basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The Board recommends a fixed fee for the effort, time spent and responsibilities for each of the Independent and Non-Executive Directors. The Chairman of the Board and the various committees are remunerated with higher directors' fees, which corresponds with the higher level of responsibility. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

The Company does not use contractual provisions to allow the Company to reclaim incentive component of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

All members of the RC are abstained from voting on any resolutions and making any recommendations and/or participating in any deliberations on his/her own remuneration.

In preparation for the extent of termination of Executive Directors' and key management personnel's contract of service, the RC reviews such contracts of service and institutes safeguards for fair and reasonable termination clauses which are not overly generous.

The 2018 Code recommends the disclosure of the names, amounts and breakdown of remuneration of each individual Director and the CEO.

CORPORATE GOVERNANCE *STATEMENT*

Pursuant to Rule 1207(10D), it has mandated companies listed on the SGX to disclose exact amount and breakdown of remuneration paid to individual CEO and Directors (on a named basis) in the annual reports for annual reports prepared for financial years ending on or after 31 December 2024. The exact remuneration payable to each individual director for the financial year ended 31 December 2024 is as follows:

Name of Director	**Position**	**Base Salary**	**Variable Payment**	**Other Benefits**	**Director Fees**	**Total**
Directors based in China						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr Wu Xuedan	CEO and Executive Director	715	0	0	0	715
Ms Lin Yimin[1]	Non-Independent Non-Executive Director	0	0	0	11	11
Ms Li Li Jie[2]	Independent Non-Executive Director	0	0	0	8	8
Directors based in Singapore						
		S$'000	S$'000	S$'000	S$'000	S$'000
Mr Chew Heng Ching	Non-Independent Non-Executive Chairman	0	0	0	45	45
Mr Seow Yong Teng	Independent Non-Executive Director & Lead ID	0	0	0	40	40

Notes:

1. Ms. Lin Yimin retired as Non-Independent Non-Executive Director of the Company at the conclusion of the AGM on 30 April 2024 and concurrently relinquished her position as a member of the Audit Committee of the Company.
2. Ms. Li Li Jie was appointed as Independent Non-Executive Director and a member of the AC, NC and RC of the Company on 31 May 2024.

Remuneration of Key Management Personnel

The Company has only one key management personnel (who is not a Director or CEO of the Company), namely Mr. Liang Chan Hoe, the Financial Controller. As the Company only has one (1) key management personnel who is not a Director or the CEO, it is not in the best interests of the Company to disclose the aggregate remuneration paid to the key management personnel due to highly competitive human resources environment. His annual remuneration for FY2024 comprises 100% in salary and is less than S$250,000.

There is no employee of the Group who is a substantial shareholder of the Company, or an immediate family member of the director, the CEO or a substantial shareholder of the Company and whose remuneration exceeds S$100,000 during FY2024.

The Company does not adopt any Employee Share Scheme.

CORPORATE GOVERNANCE STATEMENT

ACCOUNTABILITY & AUDIT
RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.

The Board recognises that no cost-effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board determines the nature and extent of the significant risk that the Company is willing to take in achieving its strategic objectives and value creation. The Board also regularly reviews the effectiveness of all internal controls including operational controls.

The Board has not established a separate board risk committee since it believes that the size and complexity of the Company's operations does not yet merit this. The role of risk management has been delegated to the AC. AC monitors the Company's risks through an integrated approach of enterprise risk management, internal controls, and assurance systems.

The Board has received assurance from the CEO and the Financial Controller that the financial records as at 31 December 2024 have been properly maintained and the financial statements for FY2024 give a true and fair view of the Group's operations and finances. The Board has also received assurance from the CEO and Financial Controller that the Group's risk management and internal control systems are adequate and effective as at 31 December 2024.

Based on the internal control system established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and the assurance from management, the Board with the concurrence of the AC is of the opinion that the internal controls systems in the Company in addressing financial, operational, compliance and information technology controls and risk management systems are adequate and effective as at 31 December 2024. Pursuant to Rule 1207(10) of the Listing Manual, the Board is of the opinion that there were no material weaknesses identified by the Board or AC in the Group's internal controls or risk management systems.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC comprises three (3) members, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. The members of the AC are:

Mr. Seow Yong Teng	Chairman
Mr. Chew Heng Ching	Member
Ms. Li Li Jie	Member

CORPORATE GOVERNANCE STATEMENT

The Chairman and members of the AC have many years of experience in business management and finance. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions. None of the AC members were former partners or directors of the external auditor of the Company, Messrs Ernst & Young LLP, within the last 2 years or hold any financial interest in Messrs Ernst & Young LLP.

The Board has approved the written terms of reference of the AC, whose principal functions include the following:

(i) review the scope and results of the audit and its cost effectiveness, the independence and objectivity of the external auditors.

(ii) review the significant financial reporting issues and judgments to ensure the integrity of the financial statements and any announcement relating to the Company's financial performance.

(iii) review at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management systems.

(iv) review the assurance from the CEO and the Financial Controller on the financial records and financial statements.

(v) review the scope and results of the internal audit procedures including the effectiveness of the Group's internal audit function.

(vi) recommend to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.

(vii) review the interested person transactions.

(viii) review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The principal activities of the AC during FY2024 are summarised below:

(i) with the assistance of the external auditors, reviewed the semi-annual and annual financial results of the Group.

(ii) reviewed and considered the audit plans and audit reports of the internal and external auditors.

(iii) reviewed and recommended the appointment of the external auditors, including their fees, performance, independence and objectivity.

(iv) reviewed the adequacy and effectiveness of risk management and internal control systems of the Company, including financial, operational, compliance and information technology controls.

(v) received the assurance from (a) the CEO and FC on proper maintenance of the financial records and the integrity of the financial statements of the Group; and (b) CEO, FC and key management personnel on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CORPORATE GOVERNANCE STATEMENT

Whistle Blowing

Management has arranged in place for a Whistle Blowing policy, by which staff of the Group may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters with the AC and investigate whistleblowing reports made in good faith. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action. The identity of the whistleblower is kept confidential and the whistleblower is protected against any detrimental or unfair treatment. The AC is responsible for the oversight and monitoring of whistleblowing and ensure that all concerns or complaints raised are independently investigated and appropriate follow-up actions are carried out. There was no whistle blowing report received during FY2024.

The AC also has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

During FY2024, the AC held four (4) meetings and met with internal and external auditors, without the presence of the Company's management, at least once a year to review the overall scope of both internal and external audits, and the assistance given by the management to the auditors. During its meetings, no matters of concern over Management's interaction or responsiveness were reported. The AC received updates on changes in accounting standards and corporate governance from the external auditors periodically.

External Auditor

During the financial year, the AC has reviewed the scope and quality of audit by the external auditors and the independence and objectivity of the external auditors as well as the cost effectiveness. The AC also reviewed the audit and non-audit fees paid to the external auditors. The total amount paid to the external auditors during FY2024 is S$197,000, comprising of S$194,000 audit fee and S$3,000 non-audit fee. The non-audit fee is 1% out of the total audit fee paid to the external auditors. The AC, having reviewed all non-audit services provided by the external auditors of the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Group does not appoint different auditors for its significant subsidiaries or associated companies.

The external auditors confirmed their independence and the Company confirms that:

(a) The Company is in compliance with Rule 712 of the Mainboard Listing Rules in relation to the appointment of a suitable auditing firm to meet its audit obligations. Messrs Ernst & Young LLP, the appointed auditors of the Company, is registered with the Accounting and Corporate Regulatory Authority in Singapore; and

(b) The Company has complied with Rule 715 of the Listing Rules in relation to appointment of the same auditing firm based in Singapore to audit its accounts, and a suitable auditing firm for its significant foreign- incorporated subsidiaries. The auditors of the Company's subsidiaries are disclosed in the Notes to the Financial Statements.

The AC is satisfied with the resources and experience of Messrs Ernst & Young LLP. The audit engagement partner and her team assigned to the audit were adequate to meet their audit obligations. The AC is satisfied that the objectivity and independence of the external auditors are not in any way impaired. Therefore the AC, with the concurrence of the Board, has approved the nomination of Messrs Ernst & Young LLP for re-appointment as the external auditors of the Company for FY2025 at the forthcoming AGM.

CORPORATE GOVERNANCE *STATEMENT*

Pursuant to the requirement in the Listing Manual, an audit partner must only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Messrs Ernst & Young LLP's audit engagement partner for the Company was appointed on 29 April 2022.

No former partner or director of the Company's existing auditing firm or auditing corporation has acted as a member of the Company's AC: (a) within a period of two years commencing on the date of his/her ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he/she has any financial interest in the auditing firm or auditing corporation.

<u>AC's commentary on Key Audit Matters</u>

In the review of the financial statements for FY2024, the AC has discussed with the management and the external auditors on significant issues as well as the reasonableness of the key assumptions including significant judgements and key estimates used that impact the financial statements. The most significant matters have also been included in the Independent Auditor's Report under "Key Audit Matters" ("KAMs"). The AC concurred with the external auditor that the KAMs highlighted by the external auditors were appropriate areas to focus on. Taking into account the views of the external auditors, the AC is assured and concurred with management's assessment and conclusion and is satisfied that KAMs have been properly dealt with. In each of the KAMs, the AC reviewed and accepted the judgemental assumptions made and accounting treatments adopted by management. The AC concurred with the external auditors regarding the KAMs.

<u>Internal Auditor</u>

During the financial year, the AC has reviewed and assessed the adequacy of the Group's system of internal controls and regulatory compliance through discussion with management, internal auditors and external auditors.

To ensure the adequacy, effectiveness and independence of the internal audit function, the AC reviews and approves, on an annual basis, the internal audit plans and the resources required to adequately perform this function. The AC also reviewed the significant internal audit observations and management's response thereto. The AC approves the appointment, removal, evaluation and compensation of the internal auditors.

The Company has outsourced the internal audit function to a professional firm in PRC, namely Sichuan WeiCheng Certified Public Accountants Co., Ltd (四川维诚会计师事务所有限公司) ("WeiCheng CPA"). WeiCheng CPA was established in 2008 with more than 16 years of auditing experience. WeiCheng CPA is also part of the Sichuan WeiCheng Group, which is a comprehensive enterprise mainly engaged in audit, evaluation and consulting services. WeiCheng CPA was rated as Sichuan Province AAA-level accounting firm for six consecutive years. WeiCheng CPA is adequately resourced, with staff strength of over 60 certified public accountants and the engagement team is led by a certified public accountant team leader with more than 15 years of experience. The Internal Auditor reports directly to the Chairman of the AC on internal audit matters and to the management on administrative matters.

The AC has reviewed the adequacy, independence and effectiveness of the internal audit function and satisfied that the Company's internal audit function is independent, effective, adequately resourced and has appropriate standing within the Company. The AC is also satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

The Company cooperates fully with the Internal Auditor in terms of allowing unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

CORPORATE GOVERNANCE STATEMENT

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS, CONDUCT OF GENERAL MEETINGS AND ENGAGEMENT WITH SHAREHOLDER

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a half-yearly basis and other ad hoc announcements as required by the SGX-ST. The Company's Annual Report is sent to all shareholders and is available to other investors on request and accessible at the Company's website.

The Company's AGM are held in a wholly physical format. Shareholders are able to raise questions and vote in person at the AGM. There are no options for shareholders to participate virtually. Arrangements relating to attendance at the forthcoming AGM, submission of questions to the Chairman of the Meeting in advance of, or at, the AGM, and voting at the AGM by shareholders or their duly appointed proxy(ies), are set out in the Notice of AGM.

The Board welcomes the views of shareholders on matters affecting the Company, whether at general meetings or on an ad-hoc basis. Shareholders are encouraged to participate effectively and to vote at the general meetings. They are also given the opportunity to share and communicate their views and seek clarification with the Board on issues relating to the Company's performance either formally at, or informally after, the meeting.

During the 2024 AGM, all directors, the external auditors and Company Secretary were present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditors' report. Directors' attendance at 2024 AGM is disclosed in this Annual Report.

Shareholders are informed of general meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairman of the AC, RC and NC are normally available at the meeting to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders. The Company communicates with the shareholders and attends to their questions raised during the AGM.

The Company's Constitution allows a member of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A relevant intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). The Company will review its Constitution from time to time and make such amendments to the Constitution to be in line with the applicable requirements or rules and regulations governing the continuing listing obligations of the Listing Manual.

CORPORATE GOVERNANCE STATEMENT

To promote greater transparency and effective participation, the Company has conducted the voting of all its resolutions by poll since its 2015 AGM. The detailed voting results, including the total number of votes cast for or against each resolution tabled, were announced immediately at the AGMs and via SGXNet.

The Company will prepare the detailed shareholders' meeting minutes, which include comments and the questions received from the shareholders and responses from the Board and the Management. These minutes are made available to shareholders on SGXNet as soon as practicable. Minutes of the 2024 AGM was released on 16 May 2024 via SGXNET.

The Constitution of the Company allows Directors, at their sole discretion, to approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to vote by mail, electronic mail or facsimile.

The Board does not implement absentia-voting methods by mail, electronic mail or facsimile, until issues on security and integrity are satisfactorily resolved.

Disclosure of Information on a Timely Basis

The Company communicates with shareholders and the investment community through timely release of announcements to the SGX-ST via SGXNet, including the Company's financial results announcements which are published through the SGXNet on a half-yearly basis. Financial results announcements and annual reports are announced or issued within the mandatory period prescribed. The Directors are normally available to solicit and try to understand the views of the shareholders before and/or after general meetings of the Company.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNet, press release and corporate website. The Company publicly releases all price-sensitive information and keeps disclosure of price sensitive information out of discussions in any meetings with individual analysts or investors.

Interaction with Shareholders

The Company does not have an investor policy but consider advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders.

Shareholders may also provide any feedback they may have about the Company to the Company's email at enquiry@pharmesis.com.

Dividend Policy

The Company does not have a specific dividend policy. Nonetheless, the management after reviewing the performance of the Company in the relevant financial year will make appropriate recommendation to the Board. Any dividend declaration will be communicated to shareholders via announcement through SGXNet. No dividend was declared for FY2024 in view of the accumulated losses.

CORPORATE GOVERNANCE STATEMENT

MANAGING STAKEHOLDERS RELATIONSHIPS
ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long-term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors. The details of the Company's engagement with stakeholders are set out in the Company's Sustainability Report.

The Company maintains a corporate website at www.pharmesis.com to communicate and engage stakeholders.

Dealings In Securities

The Company has adopted as its own internal compliance code, the best practices guide in Rule 1207(19) of the Listing Manual with regards to dealing in the Company's securities by the directors and its officers. The Company, Directors, management and officers of the Group are prohibited from dealing in the Company's shares on short-term considerations and while they are in possession of unpublished price-sensitive, financial or confidential information. They are also prohibited from dealing in the Company's securities during the periods commencing one month before the half-year and full-year results and ending on the day of the announcement, or when they are in possession of unpublished price-sensitive information on the Group.

Interested Person Transactions ("IPTs")

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

The Board and AC will review all IPTs to be entered to ensure that the relevant rules under Chapter 9 of the Listing Manual are complied with. There was no IPT for disclosure according to Rule 907 of the Listing Manual in respect of IPTs for FY2024.

MATERIAL CONTRACTS

Saved for the service agreements entered with the CEO and the Executive Director, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder at the end of the FY2024.

CORPORATE GOVERNANCE STATEMENT

SUSTAINABILITY REPORTING

The Sustainability Report will outline the Company's efforts, pursuits and initiatives towards achieving the Group's sustainability goals through operational and business practices. It covers the material Environment, Social and Governance ("**ESG**") factors relevant to the Group. Our framework of sustainability reporting is in line with the Listing Manual and is guided by the Global Reporting Initiative (GRI) Standards – Core option, the international standard for sustainability reporting ("**GRI Standards**").

By applying the relevant GRI Standards, we identify and prioritise sustainability topics for reporting. The materiality assessment is conducted through a series of engagement sessions with internal stakeholders and studying existing feedback of external stakeholders. The material topics determined last year were deemed to be relevant and current by the Board and our corporate sustainability committee.

More information on how the Company engages with its stakeholders, as well as its approach to material topics and its overall sustainability performance, can be found in the Company's Sustainability Report 2024, which will be made available to the shareholders on the SGXNet and the Company's website by 30 April 2025.

USE OF PROCEEDS

As at 31 December 2024, the Company has utilised the net proceeds of approximately SGD 483,000 from the issuance of 4.1 million new ordinary shares at the issue price of SGD 0.13 per share in April 2024 as follows:

	Use of proceeds as at 31 December 2024 (SGD'000)
Personnel & related expenses	126
Office expenses	12
Directors' fees	100
Professional fees	134
Total	**372**

The above use of proceeds was in accordance with the Company's stated use and the balance of proceeds as at 31 December 2024 was SGD 111,000.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Pharmesis International Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2024.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2024 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Wu Xuedan
Chew Heng Ching
Seow Yong Teng
Li Li Jie (Appointed on 31 May 2024)

In accordance with Article 91 of the Company's Constitution, Wu Xuedan is retiring by rotation and being eligible, offers himself for re-election. Li Li Jie is retiring pursuant to Article 97 of the Company's Constitution and being eligible, offers herself for re-election.

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor or at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' interests in shares and debentures

No director who held office at the end of the financial year had interests in shares, shares options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment of later, or at the end of the financial year.

5. Options

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

6. **Audit Committee**

The members of the audit committee ("AC") at the date of this statement are as follows:

Seow Yong Teng	Chairman and Independent Non-Executive Director
Chew Heng Ching	Non-Independent Non-Executive Director
Li Li Jie	Independent Non-Executive Director

The AC carried out its functions in accordance with section 201B (5) of the Companies Act 1967, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the half yearly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the quality, cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

DIRECTORS' STATEMENT

The AC convened four meetings during the financial year as shown in the Corporate Governance Statement. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Statement.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Seow Yong Teng
Director

Chew Heng Ching
Director

Singapore
26 March 2025

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF PHARMESIS INTERNATIONAL LTD.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Pharmesis International Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2024, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF PHARMESIS INTERNATIONAL LTD.

Key audit matters (Continued)

Impairment assessment of the Group's non-financial assets and the Company's investment in subsidiaries

As at 31 December 2024, the Group's goodwill on consolidation, property, plant and equipment ("PPE") and right-of-use assets ("ROUA") amounted to RMB1,323,000, RMB49,408,000 and RMB7,184,000 respectively, aggregating to 50% of the Group's total assets. Management has identified indications of impairment on these non-financial assets which are attributed to the following four cash-generating units ("CGUs"):

– Sichuan Longlife CGU which consists of PPE, ROUA and Goodwill;

– Oral Liquid CGU which consists of PPE;

– Chengdu Kinna Western Drugs CGU which consists of PPE and ROUA; and

– JiangYou CGU which consists of PPE and ROUA.

For the current financial year, the Group recorded the following:

– A reversal of impairment loss on the non-financial assets allocated to JiangYou CGU amounting to RMB6,910,000; and

– An impairment loss on the non-financial assets allocated to Oral Liquid CGU amounting to RMB69,000.

Management also performed impairment assessment on the Company's investment in the related subsidiaries carried at RMB54,999,000 as at 31 December 2024 and no impairment loss is recorded for this financial year.

The impairment assessment of the non-financial assets and investment in subsidiaries was significant to our audit due to the magnitude, the significant judgement applied by management, and the heightened degree of estimation uncertainty. As part of our audit, we obtained an understanding of management's impairment assessment process and basis of determining the recoverable amounts of the CGUs.

Management assessed the recoverable amount of Sichuan Longlife, Oral Liquid, Chengdu Kinna Western Drugs and JiangYou CGUs using the value-in-use ("VIU") calculations based on cash flow projections approved by the Board of Directors. The cash flow projections included key assumptions of the CGUs' future revenue, profitability, terminal growth rate and discount rate, which involved management's subjective and complex judgements regarding expectation of future market developments and economic conditions.

In assessing the recoverable amount determined based on VIU calculations, we checked that the cash flows were based on budgets approved by the Board of Directors that reflected the CGUs' business plans. We evaluated management's forecasting process by comparing previous forecasts to actual results. We assessed the key assumptions used in the cash flow forecasts such as budgeted growth rates, budgeted revenues and gross margins by comparing them to historical data as well as recent trends and market and economic outlooks of the CGUs. Our internal valuation specialist assisted us in assessing the reasonableness of the discount rate and terminal growth rate assumptions used in the VIU calculations. We also reviewed management's analysis of the sensitivity of the VIU calculations to a reasonably possible change in the key assumptions.

We reviewed the results of the impairment assessment performed by management and compared the carrying values of the CGUs to their respective recoverable amounts.

Key audit matters (Continued)

Impairment assessment of the Group's non-financial assets and the Company's investment in subsidiaries (Continued)

We also assessed the adequacy of the disclosures relating to goodwill on consolidation, PPE, ROUA and the Company's investments in subsidiaries in Notes 13, 10, 11 and 12 to the financial statements respectively.

Impairment assessment of trade receivables from third party customers

The Group's trade receivable balances due from third party customers amounted to RMB33,339,000 and accounted for approximately 29% of the Group's total assets as at 31 December 2024. At that date, the total allowance for expected credit losses ("ECL") on trade receivables due from third party customers amounted to RMB1,067,000.

We considered management's impairment assessment of trade receivables from third party customers to be a key audit matter as the determination as to whether the debt is collectable and the amount to be recognised for the expected ECL involved significant judgement and a heightened degree of estimation uncertainty.

The Group estimates ECL on trade receivables from third party customers using a provision matrix for trade receivables. Management considers various factors such as past due balances, recent historical payment patterns and historical credit loss experience, debtors' financial ability to repay, existence of disputes, economic environment and forecast of future macro-economic conditions where the debtors operate, taking into consideration any other available information concerning the creditworthiness of debtors. Management computed the ECL by adding an industry specific forward-looking rate to the historical default rate and applying the ECL rate to the respective trade receivables aging brackets.

As part of the audit, we evaluated the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers. We requested, on a sampling basis, trade receivable confirmations, obtained evidence of receipts from the selected trade debtors subsequent to the year end and inquired management on disputed receivables. We evaluated management's assessment of the recoverability of the debts through reviewing debtor aging report to identify collection risk and reviewed historical payment patterns and correspondences with customers on expected settlement dates. We evaluated management's assumptions and inputs used in the computation of historical credit loss rates. On a sampling basis, we reviewed data and information available for each debtor that management has used to make forward-looking adjustments based on current economic conditions. We checked the arithmetic accuracy of management's computation of ECL and the corresponding allowance recognised. We also assessed the adequacy of the disclosures relating to trade receivables from third party customers and the related risks such as credit risk and liquidity risk in Notes 15, 23(ii) and 23(iii) to the financial statements.

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF PHARMESIS INTERNATIONAL LTD.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF PHARMESIS INTERNATIONAL LTD.

Auditor's responsibilities for the audit of the financial statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Sharon Peh.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
26 March 2025

CONSOLIDATED *STATEMENT OF COMPREHENSIVE INCOME*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

(In Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Revenue	4	**67,650**	45,636
Cost of sales		**(43,501)**	(24,821)
Gross profit		**24,149**	20,815
Other income	5	**7,115**	3,570
Selling and distribution costs		**(10,896)**	(12,326)
Administrative costs		**(11,231)**	(11,285)
Other costs		**–**	(4,752)
Finance income	6	**2**	15
Finance costs	6	**(704)**	(895)
Profit/(loss) before taxation	7	**8,435**	(4,858)
Income tax expense	8	**(827)**	(46)
Profit/(loss) for the year, representing total comprehensive income for the year		**7,608**	(4,904)
Profit/(loss), representing total comprehensive income attributable to:			
Equity holders of the Company		**8,278**	(4,958)
Non-controlling interest		**(670)**	54
		7,608	(4,904)
Profit/(loss) per share (cents)			
Basic and diluted	9	**27.7**	(18.8)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF *FINANCIAL POSITION*

AS AT 31 DECEMBER 2024

(In Renminbi)

	Note	Group 2024 RMB'000	Group 2023 RMB'000	Company 2024 RMB'000	Company 2023 RMB'000
Non-current assets					
Property, plant and equipment	10	**49,408**	42,652	**–**	–
Right-of-use assets	11	**7,184**	7,544	**120**	188
Investments in subsidiaries	12	**–**	–	**54,999**	54,999
Goodwill on consolidation	13	**1,323**	1,323	**–**	–
Deferred tax assets		**315**	–	**–**	–
Advance payment for acquisition of property, plant and equipment		**1,095**	1,095	**–**	–
		59,325	52,614	**55,119**	55,187
Current assets					
Inventories	14	**14,154**	15,369	**–**	–
Trade receivables	15	**36,011**	6,761	**–**	–
Prepaid expenses		**63**	125	**–**	1
Other receivables	16	**1,688**	1,443	**21**	20
Tax recoverable		**–**	106	**–**	–
Cash and cash equivalents	17	**4,604**	9,477	**800**	1,030
		56,520	33,281	**821**	1,051
Total assets		**115,845**	85,895	**55,940**	56,238
Current liabilities					
Bank borrowings	18	**15,000**	15,000	**–**	–
Trade payables	19	**25,056**	5,976	**–**	–
Other payables and accrued liabilities	20	**12,812**	9,064	**959**	987
Lease liabilities	11	**571**	448	**72**	52
Income tax payable		**142**	141	**20**	6
		53,581	30,629	**1,051**	1,045
Net current assets/(liabilities)		**2,939**	2,652	**(230)**	6
Non-current liabilities					
Lease liabilities	11	**692**	1,076	**50**	137
Total liabilities		**54,273**	31,705	**1,101**	1,182
Net assets		**61,572**	54,190	**54,838**	55,056
Equity attributable to equity holders of the Company					
Share capital	21	**88,446**	85,842	**88,446**	85,842
Reserves		**(26,874)**	(34,769)	**(33,608)**	(30,786)
		61,572	51,073	**54,838**	55,056
Non-controlling interest		**–**	3,117	**–**	–
Total equity		**61,572**	54,190	**54,838**	55,056

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF *CHANGES IN EQUITY*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

(In Renminbi)

	Attributable to equity holders of the Company						
	Share capital RMB'000	**Premium paid on acquisition of non-controlling interest RMB'000**	**Statutory reserve@ RMB'000**	**Accumulated losses RMB'000**	**Total RMB'000**	**Non-controlling interest RMB'000**	**Total equity RMB'000**
Group							
Balances as at 1 January 2023	83,714	(10,471)	11,979	(31,319)	53,903	3,063	56,966
Issuance of new shares	2,128	–	–	–	2,128	–	2,128
Loss for the year, representing total comprehensive income for the year	–	–	–	(4,958)	(4,958)	54	(4,904)
Balances as at 31 December 2023 and 1 January 2024	85,842	(10,471)	11,979	(36,277)	51,073	3,117	54,190
Issuance of new shares	2,604	–	–	–	2,604	–	2,604
Acquisition of non-controlling interest	–	(383)	–	–	(383)	(2,447)	(2,830)
Transfer of reserve	–	–	(2,472)	2,472	–	–	–
Profit for the year, representing total comprehensive income for the year	–	–	–	8,278	8,278	(670)	7,608
Balances as at 31 December 2024	**88,446**	**(10,854)**	**9,507**	**(25,527)**	**61,572**	**–**	**61,572**

@ In accordance with Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the profit after taxation as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital of RMB86,816,480 (2023: RMB86,816,480). Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF *CHANGES IN EQUITY*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

(In Renminbi)

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
Company			
Balances as at 1 January 2023	83,714	(28,247)	55,467
Issuance of new shares	2,128	–	2,128
Loss for the year, representing total comprehensive income for the year	–	(2,539)	(2,539)
Balances as at 31 December 2023 and 1 January 2024	85,842	(30,786)	55,056
Issuance of new shares	2,604	–	2,604
Loss for the year, representing total comprehensive income for the year	–	(2,822)	(2,822)
Balances as at 31 December 2024	**88,446**	**(33,608)**	**54,838**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT *OF CASH FLOWS*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

(In Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Profit/(loss) before taxation		**8,435**	(4,858)
Adjustments for:			
Depreciation of right-of-use assets	11	**709**	662
Allowance for expected credit losses on trade receivables	15	**445**	168
Inventory written off		**–**	3,477
Write-back of allowance for inventory obsolescence		**–**	(2)
Reversal of impairment loss on property, plant and equipment	10	**(6,910)**	–
Impairment loss on property, plant and equipment	10	**69**	–
Depreciation of property, plant and equipment	10	**1,213**	1,181
(Gain)/loss on disposal of property, plant and equipment		**(161)**	67
Interest income	6	**(2)**	(15)
Interest expense	6	**695**	871
Operating profit before working capital changes		**4,493**	1,551
Changes in working capital:			
(Increase)/decrease in trade receivables		**(29,695)**	4,713
Decrease/(increase) in inventories		**1,216**	(7,759)
(Increase)/decrease in prepaid expenses and other receivables		**(182)**	31
Increase in trade payables		**19,080**	811
(Decrease)/increase in other payables and accrued liabilities		**3,746**	(9,988)
Cash flows used in from operations		**(1,342)**	(10,641)
Interest received		**2**	15
Interest paid		**(695)**	(871)
Income tax paid		**(1,035)**	(83)
Net cash flows used in operating activities		**(3,070)**	(11,580)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	**(1,167)**	(585)
Acquisition of right-of-use assets		**–**	(71)
Proceeds from disposal of property, plant and equipment		**200**	81
Acquisition of non-controlling interest		**(2,830)**	–
Net cash flows used in investing activities		**(3,797)**	(575)
Cash flows from financing activities			
Proceeds from bank borrowings		**15,000**	15,000
Repayment of bank borrowings		**(15,000)**	(15,000)
Repayment of principal portion of lease liabilities		**(610)**	(214)
Net proceeds from issuance of shares	21	**2,604**	2,128
Net cash flows generated from financing activities		**1,994**	1,914
Net decrease in cash and cash equivalents		**(4,873)**	(10,241)
Cash and cash equivalents at the beginning of the year		**9,477**	19,718
Cash and cash equivalents at the end of the year	17	**4,604**	9,477

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO *THE FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

1. General

Pharmesis International Ltd. (the "Company") is a limited liability company incorporated in Singapore and is listed on the Main Board of the Singapore Exchange. The registered office and principal place of business of the Company is located at 5 Kallang Sector #03-02, Singapore 349279.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The Group operates principally in the People's Republic of China ("PRC").

2. Material accounting policy information

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Renminbi ("RMB") and all values in the tables are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

Use of going concern assumptions

As at 31 December 2024, the financial statements of the Company have been prepared on a going concern basis, notwithstanding that the Company's current liabilities exceeded its current assets by RMB230,000. In assessing the appropriateness of the going concern assumption, the Group is expected to generate adequate cash flows from operations and the Company is able to redirect funds from profitable wholly-owned subsidiaries to continue in operational existence for at least twelve months from the date of these financial statements.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2024. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2. Material accounting policy information (Continued)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
Annual Improvements to SFRS(I)s – Volume 11	1 January 2026
Amendments to SFRS(I) 9 and SFRS(I) 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to SFRS(I) 18: Presentation and Disclosure in Financial Statements	1 January 2027

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application, apart from SFRS(I) 18 Presentation and Disclosure in Financial Statements issued on 4 October 2024, effective for financial years beginning on or after 1 January 2027.

SFRS(I) 18 replaces SFRS(I) 1-1 Presentation of Financial Statements. SFRS(I) 18 Presentation and Disclosure in Financial Statements introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements ("PFS") and the notes.

In addition, narrow-scope amendments have been made to SFRS(I) 1-7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

SFRS(I) 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. SFRS(I) 18 will apply retrospectively.

2.4 Subsidiaries and principles of consolidation

(a) *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2. Material accounting policy information (Continued)

2.4 Subsidiaries and principles of consolidation (Continued)

(b) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(c) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. Material accounting policy information (Continued)

2.4 Subsidiaries and principles of consolidation (Continued)

(c) *Business combinations and goodwill (Continued)*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(d) *Transactions with non-controlling interest*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

NOTES TO *THE FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

2. Material accounting policy information (Continued)

2.5 Functional and foreign currency

Functional currency

Management has determined the currency of the primary economic environment in which the Company and the subsidiaries operates i.e. functional currency, to be RMB. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in the functional currency of the Company and its subsidiaries.

Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	8 – 40 years
Leasehold improvement	3 – 5 years
Plant and machinery	5 – 10 years
Motor vehicles	4 – 10 years
Other equipment	5 – 10 years

2. Material accounting policy information (Continued)

2.6 Property, plant and equipment (Continued)

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing future lease payments and right-of-use assets representing the right to use the underlying assets.

(i) ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold properties – Over the lease term period of 3 to 50 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.8.

2. Material accounting policy information (Continued)

2.7 Leases (Continued)

Group as a lessee (Continued)

(ii) ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Material accounting policy information (Continued)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. Material accounting policy information (Continued)

2.9 Financial instruments (Continued)

(a) ***Financial assets (Continued)***

Subsequent measurement

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Material accounting policy information (Continued)

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors’ ability to pay.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Material accounting policy information (Continued)

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a weighted average basis;

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.14 Research and development costs

All research costs are charged to profit or loss as incurred.

Development costs incurred on projects to develop new products are capitalised and deferred only when the projects are clearly defined, the costs are separately identifiable and can be measured reliably, and there is reasonable certainty that the projects are technically feasible and the products have commercial value. Development expenditure which does not meet these criteria is expensed as incurred.

2.15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

2. Material accounting policy information (Continued)

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Employee benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

(i) *Defined contribution plans*

PRC

The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Singapore

The Company makes contribution to the Central Provident Fund ("CPF") Scheme in Singapore, a defined contribution pension scheme.

Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2. Material accounting policy information (Continued)

2.18 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sale of goods*

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

(b) *Rendering of services*

Revenue from the packaging of oral liquid products is recognised by the number of completed packaged products, upon the performance of services to customers.

2.19 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Material accounting policy information (Continued)

2.19 Taxes (Continued)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Material accounting policy information (Continued)

2.19 Taxes (Continued)

(b) *Deferred tax (Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Value added tax ("VAT") and Goods and Services Tax ("GST")*

Revenues, expenses and assets are recognised net of the amount of VAT/GST except:

- Where the VAT/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT/GST included.

The net amount of VAT/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.20 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of the revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist.

An impairment exists when the carrying value of non-financial assets exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of non-financial assets, are detailed in Note 10 to the financial statements.

The carrying amount of the Group's goodwill on consolidation, property, plant and equipment and right-of-use assets are RMB1,323,000 (2023: RMB1,323,000), RMB49,408,000 (2023: RMB42,652,000) and RMB7,184,000 (2023: RMB7,544,000) respectively.

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(b) *Impairment of trade receivables from third party customers*

The Group uses a provision matrix to calculate ECLs for trade receivables from third party customers. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables from third party customers is disclosed in Note 15.

The carrying amount of trade receivables from third party customers as at 31 December 2024 is RMB33,339,000 (2023: RMB4,185,000) respectively.

(c) *Income taxes*

The Group has exposure to income taxes in two jurisdictions, Singapore and the PRC. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's tax recoverable and income tax payable are RMB Nil (2023: RMB106,000) and RMB142,000 (2023: RMB141,000) respectively.

4. Revenue

Disaggregation of revenue

	Western drugs & TCH Procurement		TCM formulated drugs		Distribution		Group	
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Major products								
Western Medicine	**4,658**	9,225	**–**	–	**12,561**	2,077	**17,219**	11,302
Traditional Chinese Medicine	**–**	–	**13,108**	26,673	**8,468**	7,661	**21,576**	34,334
TCH Procurement	**28,855**	–	**–**	–	**–**	–	**28,855**	–
	33,513	9,225	**13,108**	26,673	**21,029**	9,738	**67,650**	45,636
Timing of transfer of goods or services								
At a point in time	**33,513**	9,225	**13,108**	26,673	**21,029**	9,738	**67,650**	45,636
Primary geographical market								
PRC	**33,513**	9,225	**13,108**	26,673	**21,029**	9,738	**67,650**	45,636

5. Other income

	Group	
	2024	2023
	RMB'000	RMB'000
Reversal of impairment loss on property, plant and equipment	**6,910**	–
Insurance income*	**–**	3,300
Government grants	**113**	162
Foreign exchange gain	**2**	53
Others	**90**	55
	7,115	3,570

* Insurance income pertains to proceeds received in FY2023 as compensation for the damages suffered on the Group's property, plant and equipment and inventories as a result of severe flash flooding arising from torrential rain that affected one of the Group's manufacturing facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

6. Finance income/(finance costs)

	Group	
	2024	2023
	RMB'000	RMB'000
(i) Finance income		
– Interest income	**2**	15
(ii) Finance costs		
– Interest expense on bank borrowings	**(609)**	(766)
– Interest expense on lease liabilities	**(86)**	(105)
– Bank charges	**(9)**	(24)
	(704)	(895)

7. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging/(crediting) the following:

	Group	
	2024	2023
	RMB'000	RMB'000
Depreciation of right-of-use assets	**709**	662
Depreciation of property, plant and equipment	**1,213**	1,181
(Gain) /loss on disposal of property, plant and equipment	**(161)**	67
Impairment loss on property, plant and equipment	**69**	–
Reversal of impairment loss on property, plant and equipment	**(6,910)**	–
Audit fees paid to:		
– Auditors of the Company	**451**	470
– Other auditors – network firm	**595**	789
– Other auditors – non-network firm	**–**	–
Non-audit fees paid to:		
(i) Audit-related services		
– Auditors of the Company	**–**	–
– Other auditors – network firms	**–**	–
– Other auditors – non-network firms	**–**	–
(ii) Non-audit related services		
– Auditors of the Company	**16**	27
– Other auditors – network firms	**–**	–
– Other auditors – non-network firms	**–**	–
Personnel expenses*	**19,783**	20,433
Allowance for expected credit losses on trade receivables	**445**	168
Research and development expenses	**130**	125
Expenses relating to short-term leases	**7**	5

* Personnel expenses include amounts shown as directors' remuneration and remuneration of key management personnel in Note 22.

7. Profit/(loss) before taxation (Continued)

	Group	
	2024	2023
	RMB'000	RMB'000
Personnel expenses		
Wages, salaries and bonuses	**17,078**	17,505
Pension contributions	**2,272**	2,315
Others	**433**	613
	19,783	20,433

Included in personnel expenses are directors' remuneration and directors' fees of RMB715,000 and RMB477,000 (2023: RMB750,000 and RMB656,000) respectively.

8. Income tax expense

	Group	
	2024	2023
	RMB'000	RMB'000
Income tax:		
Current year	**17**	70
Under/(over) provision in respect of previous years	**1,125**	(24)
	1,142	46
Deferred tax:		
Origination/reversal of temporary differences	**(315)**	–
	827	46

A reconciliation between income tax expense and the product of profit/(loss) before taxation multiplied by the applicable corporate tax rate for the years ended 31 December 2024 and 2023 is as follows:

	Group	
	2024	2023
	RMB'000	RMB'000
Profit/(loss) before taxation	**8,435**	(4,858)
Tax at domestic rates applicable to loss in the countries where the Group operates	**2,305**	(865)
Adjustments:		
Non-deductible expenses	**325**	626
Income not subject to tax	**(1,124)**	(161)
Utilisation of previously unrecognised tax benefit	**(1,923)**	(94)
Deferred tax assets not recognised	**119**	564
Under/(over) provision in respect of previous years	**1,125**	(24)
	827	46

8. Income tax expense (Continued)

The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Tax rates applicable

According to the regulation established in 2023 by the Ministry of Finance and State Administration of Taxation on the relevant tax policies to further support the development of small and micro enterprises, small and low-profit enterprises will be subjected to a lower effective tax rate of 5%.

The implementation period will last till 31 December 2027.

The above preferential tax policy applies to Sichuan Longlife Pharmaceutical Co., Ltd, Chengdu Pharmesis Pharmaceutical Co., Ltd and Jiangyou Lijia Pharmaceutical Co., Ltd as they meet the above-mentioned identification of small and micro-profit enterprises in 2024 and 2023. As Chengdu Kinna Pharmaceutical Co., Ltd does not meet the identification criteria, the applicable income tax rate is 25% in 2024 and 2023.

Unutilised tax losses and temporary differences

At the end of the reporting period, the Group's subsidiaries in the PRC have unutilised tax losses of RMB7,692,000 (2023: nil) in offsetting taxable profits during the year. The subsidiaries in the PRC have tax losses and temporary differences of RMB3,820,000 and RMB9,274,000 (2023: RMB12,864,000 and RMB9,511,000) that are available for offset against future taxable profit of the respective entities where the tax losses arose. The use of these tax losses is subject to the agreement of the tax authority. The tax losses of the PRC subsidiaries can only be utilised within the five-year period commencing from the year in which the loss is incurred. The period where the tax losses can be utilised is from 2025 to 2029.

9. Profit/(loss) per share

Profit/(loss) per share amounts are calculated by dividing profit/(loss) for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted profit/(loss) per share are calculated by dividing profit/(loss) for the year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit/(loss) and share data used in the computation of basic and diluted profit/(loss) per share for the years ended 31 December:

	Group	
	2024	**2023**
	RMB'000	**RMB'000**
Profit/(loss) for the year attributable to equity holders of the Company used in computation of basic and diluted profit/(loss) per share	**8,278**	(4,958)

	Group	
	2024	**2023**
	RMB'000	**RMB'000**
	No. of shares	**No. of shares**
	'000	**'000**
Weighted average number of ordinary shares for basic and diluted profit/(loss) per share computation	**29,869**	26,415

	RMB	**RMB**
	Cents	**Cents**
Profit/(loss) per share		
– basic and diluted	**27.7**	(18.8)

10. Property, plant and equipment

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Group							
Cost:							
Balance as at 1 January 2023	35,220	2,968	22,361	3,253	1,631	35,403	100,836
Additions	–	–	520	–	36	29	585
Transfers	(1,393)	–	1,393	–	–	–	–
Disposals	–	–	(890)	(320)	(438)	–	(1,648)
Balance as at 31 December 2023 and 1 January 2024	33,827	2,968	23,384	2,933	1,229	35,432	99,773
Additions	–	–	1,164	–	3	–	1,167
Transfers	32,618	–	2,814	–	–	(35,432)	–
Disposals	–	–	–	(794)	–	–	(794)
Balance as at 31 December 2024	**66,445**	**2,968**	**27,362**	**2,139**	**1,232**	**–**	**100,146**
Accumulated depreciation and impairment loss:							
Balance as at 1 January 2023	22,658	2,968	20,559	2,827	1,518	6,910	57,440
Charge for the year	434	–	630	88	29	–	1,181
Disposals	–	–	(841)	(239)	(420)	–	(1,500)
Balance as at 31 December 2023 and 1 January 2024	23,092	2,968	20,348	2,676	1,127	6,910	57,121
Charge for the year	503	–	534	150	26	–	1,213
(Reversal of impairment)/impairment	–	–	69	–	–	(6,910)	(6,841)
Disposals	–	–	–	(755)	–	–	(755)
Balance as at 31 December 2024	**23,595**	**2,968**	**20,951**	**2,071**	**1,153**	**–**	**50,738**
Net carrying amount:							
Balance as at 31 December 2024	**42,850**	**–**	**6,411**	**68**	**79**	**–**	**49,408**
Balance as at 31 December 2023	10,735	–	3,036	257	102	28,522	42,652

At 31 December 2024, the Group's buildings with carrying amounts of RMB2,883,000 (2023: RMB2,884,000) are pledged as security to secure bank borrowings (Note 18).

10. Property, plant and equipment (Continued)

	Other equipment RMB'000
Company	
Cost:	
Balance as at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	253
Accumulated depreciation:	
Balance as at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	253
Net carrying amount:	
Balance as at 31 December 2024	**–**
Balance as at 31 December 2023	–

Impairment testing on property, plant and equipment

Management has identified indications of impairment on property, plant and equipment due to the unfavourable market conditions in the pharmaceutical industry which was attributed to the four cash-generating units ("CGUs") namely Oral Liquid CGU, Chengdu Kinna Western Drugs CGU, Sichuan Longlife CGU and JiangYou CGU.

As part of the impairment assessment, the carrying amounts of the property, plant and equipment are compared to the recoverable amounts. These assets are reviewed as part of a wider CGU for impairment using the higher of the value-in-use or fair value less costs of disposal model.

Management assessed the recoverable amount of the property, plant and equipment allocated to the CGUs using value-in-use calculations based on cash flow projections approved by the Board of Directors.

The post-tax discount rates applied to the cash flow projections and the forecasted growth rates used to extrapolate the cash flow projections beyond the 5-year period and 36-year period respectively are as follows:

	2023
Oral Liquid CGU	
Growth rates	0%
Post-tax discount rates	12%

10. Property, plant and equipment (Continued)

Impairment testing on property, plant and equipment (Continued)

Chengdu Kinna Western Drugs CGU (5-year period)

	2024	**2023**
Revenue growth rate		
– 2024	**–**	39%
– 2025	**5%**	5%
– 2026	**6%**	5%
– 2027	**6%**	5%
– 2028	**6%**	5%
– 2029	**6%**	–
Post-tax discount rates	**12%**	12%

JiangYou CGU (5-year period)

	2023
Production capacity	
– 2023	–
– 2024	20%
– 2025	45%
– 2026	55%
– 2027	60%
– 2028	65%
Post-tax discount rates	12%

JiangYou CGU (36.5-year period)

	2024
Rental growth rate (every 2 years):	
– 2025 to 2044	**6%**
– 2045 to 2061	**2%**
Post-tax discount rates	**5.3%**

10. Property, plant and equipment (Continued)

Impairment testing on property, plant and equipment (Continued)

Key assumptions

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

Budgeted revenues – The budgeted revenues are based on past performances and expectations of market developments.

Budgeted growth rates – Management determined the budgeted growth rates based on experience and expectations of market developments. The budgeted growth rates used by the Group do not exceed the average growth rates for the industries relevant to the CGUs.

Residual values of property, plant and equipment – Management determined and assessed the reasonableness of the residual values based on indicative market price as of year-end.

Discount rates – The discount rates used represent the current market assessment of the risk specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its Weighted Average Cost of Capital ("WACC"). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors.

The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions – A small unfavourable change in the key assumptions (revenue growth rate, rental growth rate and discount rate) for the value-in-use amount would result in lower headroom, which may lead to impairment/further impairment of the CGU being recognised.

For key assumptions relating to the Sichuan Longlife CGU, please refer to Note 13.

The implications of the key assumptions on the recoverable amount of the respective CGU are discussed below.

During the financial year ended 31 December 2024, the Oral Liquid CGU has been fully impaired as there are no future plans to utilise the CGU for development and/or production purposes. An impairment loss of RMB69,000 has been recognised in respect of the property, plant and equipment of Oral Liquid CGU.

Based on the assessment, no impairment loss was recorded during the year for Chengdu Kinna Western Drugs CGU as the recoverable amounts of property, plant and equipment allocated were computed to be higher than their carrying amounts. However, should the revenue growth rate decrease from 6% to 4%, an impairment loss of RMB75,000 would be recognised in profit or loss.

During the financial year ended 31 December 2024, the construction of the JiangYou factory has been completed and based on the assessment, a reversal of previously recognised impairment loss of RMB6,910,000 was recorded as the recoverable amount is higher than the carrying amount of the CGU.

11. Leases

Group as a lessee

The Group has lease contracts for leasehold properties used in its operations. These lease contracts generally have lease terms between 10 to 50 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Leasehold properties RMB'000
Cost:	
Balance as at 1 January 2023	10,577
Additions	276
Disposals	(327)
Balance as at 31 December 2023, 1 January 2024	10,526
Additions	349
Balance as at 31 December 2024	**10,875**
Accumulated depreciation:	
Balance as at 1 January 2023	2,647
Disposals	(327)
Charge for the year	662
Balance as at 31 December 2023 and 1 January 2024	2,982
Charge for the year	709
Balance as at 31 December 2024	**3,691**
Net carrying amount:	
Balance as at 31 December 2024	**7,184**
Balance as at 31 December 2023	7,544

Included in the leasehold properties are land use rights over three plots of state-owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferable and have remaining tenures of 18.7, 25.5 and 36.5 years (2023: 19.7, 26.5 and 37.5 years) respectively.

11. Leases (Continued)

Group as a lessee (Continued)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2024 RMB'000	2023 RMB'000
Balance as at 1 January	**1,524**	1,533
Additions	**349**	205
Accretion of interest	**86**	105
Payments	**(696)**	(319)
Balance as at 31 December	**1,263**	1,524
Current	**571**	448
Non-current	**692**	1,076
	1,263	1,524

The maturity analysis of lease liabilities is disclosed in Note 23(iii).

The following are the amounts recognised in profit or loss:

	2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets	**709**	662
Interest expense on lease liabilities	**86**	105
Expenses relating to short-term leases	**7**	5
	802	772

The Group had total cash outflows for leases of RMB703,000 (2023: RMB324,000).

As at 31 December 2024, the Group's right-of-use assets with carrying amounts of RMB1,495,000 (2023: RMB1,575,000) are pledged as security to secure bank borrowings (Note 18).

11. Leases (Continued)

Company as a lessee

The Company has a lease contract for a leasehold property used in its operations. This lease contract generally has lease terms of 3 years.

Set out below is the carrying amount of right-of-use asset recognised and the movements during the year:

	Leasehold property RMB'000
Cost:	
Balance as at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	205
Accumulated depreciation and impairment loss:	
Balance as at 1 January 2023	277
Charge for the year	67
Disposals	(327)
Balance as at 31 December 2023 and 1 January 2024	17
Charge for the year	68
Balance as at 31 December 2024	**85**
Net carrying amount:	
Balance as at 31 December 2024	**120**
Balance as at 31 December 2023	188

Set out below is the carrying amount of lease liability recognised and the movements during the year:

	2024 RMB'000	2023 RMB'000
Balance as at 1 January	**189**	51
Additions	**–**	205
Accretion of interest	**5**	2
Payments	**(72)**	(69)
Balance as at 31 December	**122**	189
Current	**72**	52
Non-current	**50**	137
	122	189

The maturity analysis of lease liabilities is disclosed in Note 23(iii).

11. Leases (Continued)

Impairment testing on right-of-use assets

Management has identified indications of impairment on right-of-use assets due to the unfavourable market conditions in the pharmaceutical industry which was attributed to the JiangYou, Sichuan Longlife and Chengdu Kinna Western Drugs CGUs.

Management assessed the recoverable amount of the CGUs based on the higher of the value-in-use and fair value less costs of disposal model. No impairment loss was recognised during the year as the recoverable amount was computed to be higher than the carrying amount.

Further details of the key assumptions applied in the impairment assessment, are detailed in Notes 10 and 13 to the financial statements.

12. Investments in subsidiaries

	Company	
	2024	**2023**
	RMB'000	**RMB'000**
Unquoted equity shares, at cost	**54,999**	54,999

(a) ***Composition of the Group***

	Name (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2024 %	2023 %
	Held by the Company			
+	Chengdu Kinna Pharmaceutical Co., Ltd (成都国嘉联合制药有限公司) (PRC)	Development, manufacture, packaging and sale of western medicines and health tonic products	**100**	100
	Held through Chengdu Kinna Pharmaceutical Co., Ltd:			
+	Sichuan Longlife Pharmaceutical Co., Ltd ("Sichuan Longlife") (四川古蔺肝苏药业有限公司) (PRC)	Development, manufacture and sale of Traditional Chinese Medicines ("TCM")	**100**	81
+	Chengdu Pharmesis Pharmaceutical Co., Ltd (成都中嘉医药有限公司) (PRC)	Wholesale of chemical drugs, biological raw products, TCM, antibiotics and antibiotics agent	**100**	100
+	Jiangyou Lijia Pharmaceutical Co., Ltd (江油力嘉制药有限公司) (PRC)	Development, manufacture and sale of TCM	**100**	100

\+ Audited by Ernst & Young Hua Ming, Chengdu Branch, for consolidation purpose.

12. Investments in subsidiaries (Continued)

(b) ***Interest in subsidiary with material non-controlling interests ("NCI")***

The Group has the following subsidiary that has NCI that is material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	(Loss)/profit allocated to NCI during the reporting period RMB'000	Accumulated NCI at the end of reporting period RMB'000
31 December 2024:				
Sichuan Longlife	PRC	**–**	**(670)**	**–**
31 December 2023:				
Sichuan Longlife	PRC	19	54	3,117

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of the subsidiary with material non-controlling interests.

Acquisition of additional interest in Sichuan Longlife

On 30 September 2024, the Group acquired an additional 19% equity interest in Sichuan Longlife from its non-controlling interests for a cash consideration of RMB2,830,000. As a result of the acquisition, Sichuan Longlife became a wholly-owned subsidiary of the Group. The carrying value of the attributable net assets of Sichuan Longlife at 30 September 2024 was RMB12,879,000 and the carrying value of the additional interest acquired was RMB2,447,000. The difference of RMB383,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interest" within equity.

The following summarises the effect of the change in the Group's ownership interest in Sichuan Longlife on the equity attributable to equity holders of the Company:

	RMB'000
Consideration paid for acquisition of non-controlling interests	2,830
Decrease in equity attributable to non-controlling interests	(2,447)
Decrease in equity attributable to equity holders of the Company	383

12. Investments in subsidiaries (Continued)

(c) ***Summarised financial information about subsidiary with material NCI***

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of a subsidiary with material non-controlling interests are as follows:

	Sichuan Longlife	
	2024	**2023**
	RMB'000	**RMB'000**
Summarised financial position		
Current		
Assets	**31,091**	38,469
Liabilities	**(20,480)**	(24,134)
Net current assets	**10,611**	14,335
Non-current		
Assets	**6,718**	7,415
Net non-current assets	**6,718**	7,415
Net assets	**17,329**	21,750
Summarised statement of comprehensive income		
Revenue	**18,893**	34,950
(Loss)/profit before taxation	**(3,294)**	694
Income tax expense	**(1,128)**	(42)
(Loss)/profit for the year, representing the total comprehensive income for the year	**(4,422)**	652
Other summarised information		
Net cash flows used in operating activities	**(4,174)**	(3,015)
Net cash flows (used in)/generated from investing activities	**(37)**	67
Net cash flows used in financing activities	**(563)**	(766)
Net decrease in cash and cash equivalents	**(4,774)**	(3,714)

13. Goodwill on consolidation

	Group	
	2024	**2023**
	RMB'000	**RMB'000**
Goodwill on consolidation		
– Sichuan Longlife	**1,323**	1,323

Impairment testing on goodwill

Goodwill acquired through business combination has been allocated to the Sichuan Longlife CGU for impairment testing. The recoverable amount of the goodwill on consolidation allocated to this CGU was determined based on a value-in-use calculation using a 5-year cash flow projection approved by the Board of Directors.

The post-tax discount rate applied to the cash flow projection and the forecasted growth rates used to extrapolate the cash flow projection beyond the 5-year period are as follows:

	2024	**2023**
Growth rates		
– 2024	**–**	(4.0)%
– 2025	**31%**	0%
– 2026	**0%**	0%
– 2027	**0%**	0%
– 2028	**0%**	0%
– 2029	**0%**	–
Post-tax discount rates	**12%**	12%

The calculation of value-in-use for the CGU is most sensitive to the following assumptions:

Budgeted revenue – The budgeted revenue is based on past performances and expectations of market developments.

Budgeted growth rates – Management determined the budgeted growth rates based on experience and expectations of market developments. The budgeted growth rates used by the Group do not exceed the average growth rate for the industry relevant to the CGU.

Discount rate – The discount rate used represents the current market assessment of the risk specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

13. Goodwill on consolidation (Continued)

Sensitivity to changes in assumptions – Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the Sichuan Longlife CGU to materially exceed its recoverable amount.

Based on the assessment, no impairment loss was recorded during the year as the recoverable amount of goodwill on consolidation allocated to this CGU was computed to be higher than the carrying amount.

14. Inventories

	Group	
	2024	2023
	RMB'000	RMB'000
Consolidated statement of financial position:		
Raw materials	**8,110**	8,392
Work in progress	**2,710**	2,642
Finished goods	**3,334**	4,335
	14,154	15,369

	2024	2023
	RMB'000	RMB'000
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**12,509**	17,161

15. Trade receivables

	Group		Company	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables – Third party customers	**34,406**	4,807	**–**	–
Less: Allowance for expected credit losses	**(1,067)**	(622)	**–**	–
	33,339	4,185	**–**	–
Note receivables	**2,672**	2,576	**–**	–
Total trade receivables	**36,011**	6,761	**–**	–
Add: Other receivables (Note 16)	**1,688**	1,443	**21**	20
Add: Cash and cash equivalents (Note 17)	**4,604**	9,477	**800**	1,030
Total financial assets carried at amortised cost	**42,303**	17,681	**821**	1,050

Trade receivables from third party customers are non-interest bearing and are generally on 90 to 180 days' terms. They are recognised at their original invoice amounts which represents fair values at initial recognition.

Note receivables are non-interest bearing, unsecured, generally on 180 days' terms and are to be settled in cash.

15. Trade receivables (Continued)

Expected credit losses

The movement in allowance for expected credit losses on trade receivables from third party customers computed based on lifetime ECL is as follows:

	Group	
	2024	**2023**
	RMB'000	**RMB'000**
Movement in allowance accounts:		
Balance as at 1 January	**622**	454
Allowance for the year	**445**	168
Balance as at 31 December	**1,067**	622

The allowance for ECL on note receivables is not expected to be material to the financial statements.

16. Other receivables

	Group		Company	
	2024	**2023**	**2024**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other receivables	**1,909**	1,664	**21**	20
Less: Allowance for impairment	**(221)**	(221)	**–**	–
	1,688	1,443	**21**	20

Included in other receivables of the Group and the Company is an amount of RMB21,000 (2023: RMB20,000) which is denominated in Singapore Dollar.

Expected credit losses

There is no movement in allowance for expected credit losses on other receivables computed based on lifetime ECL during the financial years ended 31 December 2024 and 2023.

17. Cash and cash equivalents

	Group		Company	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	4,604	9,447	800	1,030

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.05% to 0.4% (2023: 0.05% to 0.4%) per annum.

Included in the cash and cash equivalents of the Group and the Company is an amount of RMB800,000 (2023: RMB1,030,000) which is denominated in Singapore Dollar.

18. Bank borrowings

		Group	
	Maturity	2024	2023
		RMB'000	RMB'000
Current:			
Fixed rate RMB bank loan	16 December 2025	**15,000**	–
Fixed rate RMB bank loan	4 December 2024	**–**	15,000
		15,000	15,000

The effective interest rate for the RMB bank loans ranges from 4.0% to 5.0% (2023: 4.0% to 5.0%) per annum. The loans are fully repayable upon the maturity date. The loans are secured by a charge over buildings (Note 10) and right-of-use asset of a subsidiary (Note 11).

A reconciliation of liabilities arising from financing activities is as follows:

	Balance as at 1 January	Proceeds	Repayment	Balance as at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000
2024				
Bank borrowings	**15,000**	**15,000**	**(15,000)**	**15,000**
2023				
Bank borrowings	15,000	15,000	(15,000)	15,000

19. Trade payables

Trade payables are non-interest bearing and normally settled on 30 to 90 days' terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

20. Other payables and accrued liabilities

	Group		Company	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	**9,805**	6,137	**–**	–
Accruals	**1,761**	2,167	**959**	987
VAT payable	**164**	215	**–**	–
Advances from customers	**1,082**	545	**–**	–
Total other payables and accrued liabilities	**12,812**	9,064	**959**	987
Add: Bank borrowings (Note 18)	**15,000**	15,000	**–**	–
Add: Trade payables (Note 19)	**25,056**	5,976	**–**	–
Less: VAT payable	**(164)**	(215)	**–**	–
Less: Advances from customers	**(1,082)**	(545)	**–**	–
Total financial liabilities carried at amortised cost	**51,622**	29,280	**959**	987

Other payables are unsecured, non-interest bearing and have an average term of three to six months.

Advances from customers are unsecured and non-interest bearing.

Included in the other payables and accrued liabilities of the Group and the Company is an amount of RMB959,000 (2023: RMB987,000) which is denominated in Singapore Dollar.

21. Share capital

	Group and Company	
	Number of shares	RMB'000
Issued and fully paid ordinary shares:		
Balance as at 1 January 2023	**23,000,000**	**83,714**
Issuance of new shares	**4,600,000**	**2,128**
Balance as at 31 December 2023 and 1 January 2024	**27,600,000**	**85,842**
Issuance of new shares	**4,100,000**	**2,604**
Balance as at 31 December 2024	**31,700,000**	**88,446**

On 13 June 2024, the Company allotted 4,100,000 new ordinary shares for a total consideration of RMB2,604,000. The proceeds from the issuance were used for working capital purposes.

On 5 April 2023, the Company allotted 4,600,000 new ordinary shares for a total consideration of RMB2,128,000. The proceeds from the issuance were used for working capital purposes.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

22. Related party disclosures

Compensation of key management personnel

	Group	
	2024	**2023**
	RMB'000	**RMB'000**
Short-term employee benefits	**2,753**	2,957
Central Provident Fund contributions	**84**	75
	2,837	3,032
Comprise amounts paid to:		
Directors of the Company		
– Directors' remuneration	**715**	750
– Directors' fees	**477**	656
Other key management personnel	**1,645**	1,626
	2,837	3,032

23. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Financial Controller, Head of Treasury and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) ***Foreign currency risk***

The Group's operations are primarily in the PRC, of which sales, purchases and its accounts are recorded in RMB. The foreign currency risk of the Group arises mainly from its cash and cash equivalents, other receivables, other payables and accrued liabilities which are denominated in foreign currency, mainly Singapore Dollar ("SGD"). The Group does not enter into transactions to hedge against its currency risk.

23. Financial risk management objectives and policies (Continued)

(i) ***Foreign currency risk (Continued)***

Sensitivity analysis

A 10% strengthening of RMB against SGD at the reporting date would increase the Group's profit before taxation by RMB16,000 (2023: RMB6,000). A 10% weakening of RMB against SGD would have an equal but opposite effect. This analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents and note receivables), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

23. Financial risk management objectives and policies (Continued)

(ii) ***Credit risk (Continued)***

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade receivables.

NOTES TO *THE FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

23. Financial risk management objectives and policies (Continued)

(ii) ***Credit risk (Continued)***

Trade receivables from third party customers

For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted or appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

		Days past due				
	Not past due RMB'000	**< 60 days RMB'000**	**61 – 120 days RMB'000**	**121 – 180 days RMB'000**	**> 180 days RMB'000**	**Total RMB'000**
2024						
Estimated total gross carrying amount at default	**33,701**	**117**	**111**	**90**	**387**	**34,406**
ECL	**(362)**	**(117)**	**(111)**	**(90)**	**(387)**	**(1,067)**
						33,339
2023						
Estimated total gross carrying amount at default	4,351	151	116	13	176	4,807
ECL	(166)	(151)	(116)	(13)	(176)	(622)
						4,185

Information regarding loss allowance movement of trade receivables from third party customers are disclosed in Note 15.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The trade and other receivables of the Group are not secured by any credit enhancements.

23. Financial risk management objectives and policies (Continued)

(ii) ***Credit risk (Continued)***

Trade receivables from third party customers (Continued)

Credit risk concentration profile

Concentration of credit risk exists when changes in economic, industrial or geographic factors similarly affect groups of counterparts whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

At the end of the reporting period, approximately 83% (2023: 38%) of the Group's trade receivables were due from five major customers which are hospitals, medical institutions and distributor of traditional Chinese medicine, located in the PRC. In addition, trade receivables from one major customer accounted for 77% (2023: 0%) of the Group's trade receivables.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 15 and 16.

(iii) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

23. Financial risk management objectives and policies (Continued)

(iii) ***Liquidity risk (Continued)***

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payments.

	Group		
	1 year or less RMB'000	2 to 5 years RMB'000	Total RMB'000
2024			
Financial assets			
Trade receivables	**36,011**	**–**	**36,011**
Other receivables	**1,688**	**–**	**1,688**
Cash and cash equivalents	**4,604**	**–**	**4,604**
Total undiscounted financial assets	**42,303**	**–**	**42,303**
Financial liabilities			
Bank borrowings	**15,695**	**–**	**15,695**
Trade payables	**25,056**	**–**	**25,056**
Other payables and accrued liabilities (excluding VAT payable and advances from customers)	**11,566**	**–**	**11,566**
Lease liabilities	**634**	**744**	**1,378**
Total undiscounted financial liabilities	**52,951**	**744**	**53,695**
Total net undiscounted financial liabilities	**(10,648)**	**(744)**	**(11,392)**
2023			
Financial assets			
Trade receivables	6,761	–	6,761
Other receivables	1,443	–	1,443
Cash and cash equivalents	9,477	–	9,477
Total undiscounted financial assets	17,681	–	17,681
Financial liabilities			
Bank borrowings	15,695	–	15,695
Trade payables	5,976	–	5,976
Other payables and accrued liabilities (excluding VAT payable and advances from customers)	8,304	–	8,304
Lease liabilities	534	1,112	1,646
Total undiscounted financial liabilities	30,509	1,112	31,621
Total net undiscounted financial liabilities	(12,828)	(1,112)	(13,940)

23. Financial risk management objectives and policies (Continued)

(iii) ***Liquidity risk (Continued)***

	Company		
	1 year or less RMB'000	2 to 5 years RMB'000	Total RMB'000
2024			
Financial assets			
Other receivables	**21**	**–**	**21**
Cash and cash equivalents	**800**	**–**	**800**
Total undiscounted financial assets	**821**	**–**	**821**
Financial liabilities			
Other payables and accrued liabilities	**959**	**–**	**959**
Lease liabilities	**73**	**54**	**127**
Total undiscounted financial liabilities	**1,032**	**54**	**1,086**
Total net undiscounted financial liabilities	**(211)**	**(54)**	**(265)**
2023			
Financial assets			
Other receivables	20	–	20
Cash and cash equivalents	1,030	–	1,030
Total undiscounted financial assets	1,050	–	1,050
Financial liabilities			
Other payables and accrued liabilities	987	–	987
Lease liabilities	57	140	197
Total undiscounted financial liabilities	1,044	140	1,184
Total net undiscounted financial assets/(liabilities)	6	(140)	(134)

24. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2024 and 2023.

The subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 0% and 50%. The Group includes within net debt, bank borrowings, trade payables, other payables and accrued liabilities and lease liabilities less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company less the abovementioned restricted statutory reserve fund.

	Group	
	2024	**2023**
	RMB'000	**RMB'000**
Bank borrowings	**15,000**	15,000
Trade payables	**25,056**	5,976
Other payables and accrued liabilities	**12,812**	9,064
Lease liabilities	**1,263**	1,524
Less: Cash and cash equivalents	**(4,604)**	(9,477)
Net debt	**49,527**	22,087
Equity attributable to equity holders of the Company, excluding statutory reserve fund	**52,065**	39,094
Capital and net debt	**101,592**	61,181
Gearing ratio	**49%**	36%

25. Segment information

For management purposes, the Group is organised into business units based on their products, and has 3 reportable operating segments as follows:

(i) ***Western drugs/TCH Procurement***

Western drugs refer mainly to chemically formulated drugs and are marketed under the "Kinna" brand. TCH Procurement – refers to procurement and processing of Traditional Chinese Herbs ("TCH")

(ii) ***TCM formulated drugs***

TCM formulated drugs refer to Traditional Chinese Medicine and are marketed under the "Longlife" brand.

(iii) ***Distribution***

This segment refers to agency products and internally manufactured products which are marketed through the distribution arm.

Geographical segment

No segmental analysis by geographical segment is provided as the principal assets employed by the Group are located in the PRC and the Group's turnover and profits were mainly derived from the sale of medicines and herbs to domestic customers in the PRC.

25. Segment information (Continued)

	Western drugs /TCH procurement		TCM formulated drugs		Distribution		Eliminations		Group	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Revenue										
External sales	**33,513**	9,225	**13,108**	26,673	**21,029**	9,738	**–**	–	**67,650**	45,636
Inter segment sales	**10,489**	1,844	**5,734**	8,226	**–**	–	**(16,223)**	(10,070)	**–**	–
Total revenue	**44,002**	11,069	**18,842**	34,899	**21,029**	9,738	**(16,223)**	(10,070)	**67,650**	45,636
Result										
Segment results	**6,841**	(2,470)	**4,445**	780	**658**	247	**–**	–	**11,944**	(1,443)
Unallocated corporate expenses									**(2,807)**	(2,535)
Profit/(loss) from operations									**9,137**	(3,978)
Finance income	**1**	3	**1**	11	**–**	1	**–**	–	**2**	15
Finance costs	**(133)**	(116)	**(569)**	(777)	**(2)**	(2)	**–**	–	**(704)**	(895)
Income tax expense	**–**	–	**(827)**	(46)	**–**	–	**–**	–	**(827)**	(46)
Profit/(loss) before non-controlling interest									**7,608**	(4,904)
Non-controlling interest									**670**	(54)
Net profit/(loss) attributable to equity holders of the Company									**8,278**	(4,958)
Assets and liabilities										
Segment assets	**43,948**	13,042	**67,801**	68,558	**3,156**	2,717	**–**	–	**114,905**	84,317
Unallocated corporate assets									**940**	1,578
Total assets									**115,845**	85,895
Segment liabilities	**27,016**	2,933	**25,272**	27,049	**885**	613	**–**	–	**53,173**	30,595
Unallocated corporate liabilities									**1,100**	1,110
Total liabilities									**54,273**	31,705
Other segment information										
Capital expenditure (Note A)	**10**	292	**1,157**	293	**–**	–	**–**	–	**1,167**	585
Depreciation	**1,010**	863	**912**	980	**–**	–	**–**	–	**1,922**	1,843
Allowance for expected credit losses on trade and other receivables	**484**	(25)	**(79)**	193	**40**	–	**–**	–	**445**	168
Impairment loss on property, plant and equipment	**69**	–	**–**	–	**–**	–	**–**	–	**69**	–
Reversal of impairment loss on property, plant and equipment	**–**	–	**(6,910)**	–	**–**	–	**–**	–	**(6,910)**	–
Write-back of allowance for inventory obsolescence	**–**	–	**–**	(2)	**–**	–	**–**	–	**–**	(2)
Gain/(loss) on disposal of property, plant and equipment	**161**	–	**–**	(67)	**–**	–	**–**	–	**161**	(67)

Note A: Capital expenditure consists of purchase of property, plant and equipment and additions to construction in progress

25. Segment information (Continued)

Information about major customers

Information regarding customers which account for more than 7% of the revenue derived by any of the entities within the Group is as follows:

	Western drugs/ TCH procurement		TCM formulated	
	2024	**2023**	**2024**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Customer A	**–**	845	**2,248**	–
Customer B	**–**	664	**1,863**	–
Customer C	**28,855**	–	**–**	2,688
Customer D	**4,431**	–	**–**	2,585
	33,286	1,509	**4,111**	5,273

The revenue from one major customer accounted for 42% (2023: 0%) of the Group's revenue.

26. Events occurring after the reporting period

The Group has entered into a lease agreement to lease out one of its properties for 20 years, starting from 1 January 2025. The carrying amount of the property, plant and equipment which will be reclassified to investment property when the lease commences is RMB32,618,000.

On 3 March 2025, the Company announced its intention to perform a capital reduction exercise. The share capital of the Company will be reduced by the cancellation of the Company's issued and fully paid share capital of the Company to the extent of the amount of the accumulated losses of RMB33,608,000.

27. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the directors on 26 March 2025.

STATISTICS OF *SHAREHOLDINGS*

AS AT 14 MARCH 2025

Issued and paid-up share capital	:	S$18,018,532.94
Number of issued shares	:	31,700,000
Class of shares	:	Ordinary shares
Voting rights on a poll	:	1 vote for each ordinary share
Number and percentage of treasury shares	:	Nil
Number and percentage of subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 14 MARCH 2025

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.26	110	0.00
100 – 1,000	357	47.10	213,702	0.67
1,001 – 10,000	336	44.33	1,133,245	3.58
10,001 – 1,000,000	54	7.12	3,505,453	11.06
1,000,001 and above	9	1.19	26,847,490	84.69
	758	100.00	31,700,000	100.00

TOP TWENTY HOLDERS OF SHARES AS AT 14 MARCH 2025

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CHUNG CHIA-JUNG	5,233,800	16.51
2	SUNTAR INVESTMENT PTE LTD	4,770,000	15.05
3	FEI YANG	4,100,000	12.93
4	YU YI-WEN	3,450,000	10.88
5	SHENZHEN SICHUANG MEISHI PHARMACEUTICALS RESEARCH AND DEVELOPMENT CO., LTD	3,000,000	9.46
6	TOP ENTREPRENEUR LIMITED	2,281,200	7.20
7	OCBC SECURITIES PRIVATE LIMITED	1,578,810	4.98
8	UOB KAY HIAN PRIVATE LIMITED	1,283,680	4.05
9	QI JIE	1,150,000	3.63
10	RAFFLES NOMINEES (PTE.) LIMITED	672,220	2.12
11	MOOMOO FINANCIAL SINGAPORE PTE. LTD.	602,133	1.90
12	LONG BIAO	251,200	0.79
13	ZHAO JIE	157,100	0.50
14	SEET SEOW MENG VINCENT	129,000	0.41
15	KIW SIN WA	127,800	0.40
16	NGIN CHOON KAY	111,300	0.35
17	MAYBANK SECURITIES PTE. LTD.	94,800	0.30
18	DBS NOMINEES (PRIVATE) LIMITED	89,000	0.28
19	SEOW YIN KHOI	87,800	0.28
20	KHOO THOMAS CLIVE	80,000	0.25
	TOTAL:	**29,249,843**	**92.27**

Note: The percentages are computed based on 31,700,000 ordinary shares as at 14 March 2025.

STATISTICS OF *SHAREHOLDINGS*

AS AT 14 MARCH 2025

SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2025
(as shown in the Register of Substantial Shareholders)

Name of substantial shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of shares	%
Chung Chia-Jung	5,233,800	16.51	–	–
Suntar Investment Pte. Ltd.	4,770,000	15.05	–	–
Fei Yang	4,100,000	12.93	–	–
Yu Yi-Wen	3,450,000	10.88	–	–
Shenzhen Sichuang Meishi Pharmaceuticals Research and Development Co., Ltd	3,000,000	9.46	–	–
Top Entrepreneur Limited	2,281,200	7.20	–	–
Sinomem Technology Pte. Ltd.(1)	–	–	4,770,000	15.05
Clean Water Investment Limited(2)	–	–	4,770,000	15.05
Lan Weiguang(3)	–	–	4,770,000	15.05
Wu Jin Ying(4)	–	–	3,000,000	9.46
Yang Yan(5)	–	–	2,281,200	7.20

Notes:

(1) Sinomem Technology Pte. Ltd. which holds not less than 20% of the issued share capital of Suntar Investment Pte Ltd, is deemed to be interested in the shares held by Suntar Investment Pte. Ltd..

(2) Clean Water Investment Limited holds entire issued share capital of Sinomem Technology Pte. Ltd. which is the majority shareholder of Suntar Investment Pte. Ltd., is deemed to be interested in shares held by Suntar Investment Pte. Ltd..

(3) Dr Lan Weiguang holds not less than 20% interests in Clean Water Investment Limited, which in turns holds 100% of the issued share capital of Sinomem Technology Pte. Ltd., is deemed to be interested in the shares held by Suntar Investment Pte. Ltd..

(4) Ms. Wu Jing Ying is deemed to be interested in the shares held by Shenzhen Sichuang Meishi Pharmaceuticals Research and Development Co., Ltd through her controlling interest in Shenzhen Sichuang Meishi Pharmaceuticals Research and Development Co., Ltd..

(5) Mr. Yang Yan is deemed to be interested in the shares held by Top Entrepreneur Limited through his direct interest in Top Entrepreneur Limited.

SHARES HELD BY PUBLIC

Based on the information available to the Company as at 14 March 2025, approximately 27.97% of the issued shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF *ANNUAL GENERAL MEETING*

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting (the "**AGM**") of Pharmesis International Ltd. (the "**Company**") will be held at 5 Kallang Sector, #03-02, Singapore 349279 on Tuesday, 29 April 2025 at 11.00 a.m. (Singapore time) to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2024 and the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr. Wu Xuedan, who is retiring pursuant to Article 91 of the Company's Constitution, and who, being eligible, offer himself for re-election.

   Mr. Wu Xuedan will, upon re-election as a Director of the Company, remain as Executive Director and Chief Executive Officer of the Company. **(Resolution 2)**
   [See Explanatory Note (i)]

3. To re-elect Ms. Li Li Jie, who is retiring pursuant to Article 97 of the Company's Constitution, and who, being eligible, offer herself for re-election.

   Mr. Li Li Jie will, upon re-election as a Director of the Company, remain as Independent Non-Executive Director of the Company. **(Resolution 3)**
   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of SGD92,000 for the financial year ending 31 December 2025 to be paid quarterly in arrears (2024: SGD121,000). **(Resolution 4)**

5. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may be properly transacted at an AGM.

NOTICE OF *ANNUAL GENERAL MEETING*

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without modifications:

7. **Authority to allot and issue shares**

"That, pursuant to Section 161 of the Companies Act 1967 (the "**Act**") and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:–

(a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF *ANNUAL GENERAL MEETING*

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercise of share options or vesting of share awards, provided that share options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares,

provided further that adjustments in accordance with (2)(i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable requirements under the Act and the Constitution of the Company for the time being; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 6)**

[See Explanatory Note (ii)]

By Order of the Board

Lin Moi Heyang
Company Secretary

Singapore, 7 April 2025

NOTICE OF *ANNUAL GENERAL MEETING*

Explanatory Notes:

(i) Pursuant to Rule 720(6) of the SGX-ST Listing Manual, further information on Mr. Wu Xuedan and Ms. Li Li Jie are set out on Pages 112 to 116 of the Company's Annual Report.

(ii) **Ordinary Resolution 6** proposed in item 6 above, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next AGM to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of which the total number of shares and convertible securities issued other than on a *pro rata* basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

Notes:

1. Shareholders, including investors holding shares through The Central Provident Fund Investment Scheme ("**CPF**") ("**CPF investors**") and Supplementary Retirement Scheme ("**SRS**") ("**SRS investors**") and duly appointed proxies may attend the AGM in person.

2. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting of the Company. Where such member appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Act.

3. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where more than two (2) proxies are appointed, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

4. A proxy needs not be a member of the Company.

5. A member can appoint the Chairman of the AGM as its/his/her proxy but this is not mandatory. CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m., on 16 April 2024 (being seven (7) working days prior to the date of the AGM).

6. The instrument appointing a proxy(ies), duly executed, must be submitted in the following manner:

   (a) if submitted by post, be lodged at the office of the Company's Share Registrar, In.Corp Corporate Services Pte. Ltd. at 36 Robinson Road, #20-01 City House, Singapore 068877; or

   (b) if submitted electronically, be submitted via email to the Company at pharmesis@gmail.com,

   in either case, no later than **11 a.m. on 27 April 2025** (being not less than forty-eight (48) hours before the time appointed for holding the AGM). Completion and return of the form of proxy by a member will not prevent him/her from attending, speaking and voting at the AGM if he so wishes. In such event, the relevant proxy form will be deemed to be revoked.

7. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal (or by the signatures of authorised persons in the manner as set out under the Companies Act as an alternative to sealing) or under the hand of an attorney or a duly authorised officer of the corporation. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument.

8. A depositor's name must appear in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**") as at seventy-two (72) hours before the time appointed for holding the AGM in order for the depositor to be entitled to attend, speak and vote at the AGM.

NOTICE OF *ANNUAL GENERAL MEETING*

9. All members, including CPF and SRS investors may submit questions related to the resolutions to be tabled for approval at the AGM or in advance of the AGM, in the following manner by 5.00 p.m. on 16 April 2025:

   (a) by email to the Company at pharmesis@gmail.com; or

   (b) by post to the registered office of Company at 5 Kallang Sector, #03-02, Singapore 349279, attention to the Chairman of AGM.

   When sending in your questions via email or by post, please also provide us with the following details:

   - your full name;
   - your address;
   - number of shares held; and
   - the manner in which you hold shares (e.g., via CDP, CPF or SRS).

10. The Company will endeavour to address all substantial and relevant questions submitted prior to the AGM by publishing the responses to such questions on the Company's website and on SGX website latest by 21 April 2025. Any subsequent clarifications sought, or follow-up questions, or substantial and relevant questions received after the cut-off date will be consolidated and addressed at the AGM.

11. The Annual Report, Notice of AGM and proxy form have been published on the Company's website at http://www.pharmesis.com and on the SGX website at https://www.sgx.com/securities/company-announcements. Printed copies of these documents **will also be** despatched to members. Members and CPF and SRS investors are advised to check the Company's website or SGX website regularly for updates.

12. The Company will, within one month after the date of the AGM, publish the minutes of the AGM on SGX website and the Company's website, and the minutes will include the responses to substantial and relevant questions which are addressed during the AGM, if any.

Personal Data Privacy:

By (a) submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof; or (b) submitting any question prior to, or at, the AGM, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof), addressing substantial and relevant questions from members received prior to, or at, the AGM, preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON *DIRECTORS SEEKING RE-ELECTION*

Name of Person	Wu Xuedan	Li Li Jie
Date of appointment	16 April 2004	31 May 2024
Date of last re-appointment	28 April 2021	Not applicable
Age	62	65
Country of Principal Residence	People's Republic of China	People's Republic of China
The Board's comments on this re-appointment (including rationale, selection criteria, board diversity consideration and the search and nomination process)	The re-election of Mr. Wu Xuedan as the Executive Director and Chief Executive Officer ("**CEO**") of the Company was recommended by the Nominating Committee ("**NC**") and the Board has accepted the recommendation, after taking into consideration his qualifications, past experiences, overall contribution and performance.	The re-election of Ms. Li Li Jie as the Non-Executive Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration her qualifications, past experiences, overall contribution and performance.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Wu Xuedan is responsible for the stewardship and guidance of the Group in its developments and future plans. He also oversees the overall management and operations of the Group as well as supervises the research and development activities.	Non-Executive
Job Title	Executive Director and CEO	Independent Non-Executive Director and a member of AC, NC and RC
Professional qualification	Graduated from Economic Management Correspondence Union University specializing in Industrial Enterprise Management. Diploma in Mechanical Manufacturing from Wuhan Water Transport Secondary Specialised School.	Graduated from Sichuan University majoring in Business Administration. Sichuan Academy of Social Sciences, majoring in business management.

***ADDITIONAL INFORMATION ON** DIRECTORS SEEKING RE-ELECTION*

Name of Person	Wu Xuedan	Li Li Jie
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interests (including any competing business)	No	No
Working experience and occupation(s) during the past 10 years	2004 to Present Executive Director of Pharmesis International Ltd. 2009 to 2016, 2018 to Present CEO of Pharmesis International Ltd.	2016 to Present Retiree 2000-2015 Chengdu Rainbow Electrical Appliance Group Co., Ltd. Corporate Senior Manager
Undertaking (in the form set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Past (for the last 5 years)	Directorships: • Nil Other Principal Commitment: • Nil	Directorships: • Nil Other Principal Commitment: • Nil
Present	Directorships: • Nil Other Principal Commitment: • Nil	Directorships: • Nil Other Principal Commitment: • Nil
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

ADDITIONAL INFORMATION ON *DIRECTORS SEEKING RE-ELECTION*

Name of Person	Wu Xuedan	Li Li Jie
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

***ADDITIONAL INFORMATION ON** DIRECTORS SEEKING RE-ELECTION*

Name of Person	Wu Xuedan	Li Li Jie
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON *DIRECTORS SEEKING RE-ELECTION*

Name of Person	Wu Xuedan	Li Li Jie
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Pharmesis International Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200309641E)

Important

1) An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2) This proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF and SRS investors. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy to vote on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM, i.e. by 5.00 p.m. on 16 April 2025.
3) By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice dated 7 April 2025.
4) Please read the notes overleaf which contain instructions on, inter alia, the appointment of a proxy(ies).

PROXY FORM
Annual General Meeting

*I/We ______________________ (Name) ______________________ (NRIC/Passport/Co. Registration No.)

of ____ (Address)
being a member/members* of Pharmesis International Ltd. (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her/them, the Chairman of the AGM, as *my/our proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the 21st Annual General Meeting of the Company to be held at 5 Kallang Sector, #03-02, Singapore 349279 on Tuesday, 29 April 2025 at 11.00 a.m. (Singapore time) and at any adjournment thereof in the following manner.

*I/We direct *my/our proxy/proxies to vote "For" or "Against", or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion.

No.	ORDINARY BUSINESS	For#	Against#	Abstain#
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Auditor's Report			
2.	Re-election of Mr. Wu Xuedan as a Director			
3.	Re-election of Ms. Li Li Jie as a Director			
4.	Approval of Directors' Fees of SGD 92,000 for the financial year ending 31 December 2024			
5.	Re-appointment of Messrs Ernst & Young LLP as Auditor of the Company			
SPECIAL BUSINESS				
6.	Authority to allot and issue shares			

* Delete whichever is inapplicable.

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please indicate so with a "X" within the relevant box. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you wish your proxy or proxies to abstain from voting on a resolution, please indicate with "X" in the "Abstain" box for a particular resolution. Alternatively, please indicate the number of shares that your proxy or proxies is/are directed to abstain from voting in the "Abstain" box for a particular resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

Dated this ________ day of ____________ 2025.

Total Number of Shares held (Note 1)

____
Signature(s) of Members(s) and/or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares in the capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited) ("**CDP**"), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such member appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of its/his/her appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

3. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where more than two (2) proxies are appointed, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967 ("**Companies Act**").

4. A member can appoint the Chairman of the AGM as its/his/her proxy, but this is not mandatory. If a member wishes to appoint the Chairman of the AGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution. If no specific direction as to voting or abstentions from voting in respect of a resolution in the proxy form, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

5. A proxy needs not be a member of the Company.

6. The instrument appointing a proxy(ies), duly executed, must be submitted in the following manner:

   (a) if submitted by post, be lodged at the office of the Company's Share Registrar, In.Corp Corporate Services Pte. Ltd. at 36 Robinson Road, #20-01 City House, Singapore 068877; or

   (b) if submitted electronically, be submitted via email to the Company at pharmesis@gmail.com,

   in either case, no later than 11 a.m. on 27 April 2025 (being not less than forty-eight (48) hours before the time appointed for holding the AGM).

7. Completion and submission instrument appointing a proxy(ies) by a member will not prevent him/her from attending, speaking and voting at the AGM if he/she so wishes. The appointment of a proxy(ies) shall be deemed to be revoked if the member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument appointing a proxy(ies) to the AGM.

8. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal (or by the signatures of authorised persons in the manner as set out under the Companies Act as an alternative to sealing) or under the hand of an attorney or a duly authorised officer of the corporation. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act.

10. For CPF/SRS investors, this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors (a) should approach their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies; and (b) may appoint the Chairman of AGM as proxy to vote on their behalf at the AGM, in which case, they should approach their respective CPF Agent Banks/SRS Operators to submit their voting instructions by 5.00 p.m. on 16 April 2025, being seven (7) working days before the AGM.

General:

The Company shall be entitled to reject the proxy form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged if such members are not shown to have shares entered against their name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by the CDP to the Company.

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PHARMESIS

PHARMESIS INTERNATIONAL LTD.

COMPANY REGISTRATION NUMBER: 200309641E
5 KALLANG SECTOR #03-02 SINGAPORE 349279
WWW.PHARMESIS.COM