麗珠醫藥集團股份有限公司
Livzon Pharmaceutical Group Inc.*

Stock Code 股份代號: 1513

(A joint stock company incorporated in the People's Republic of China with limited liability)

（在中華人民共和國註冊成立的股份有限公司）

2023
環境、社會及管治報告
Environmental, Social and Governance Report

* For identification purpose only 僅供識別

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ABOUT THIS REPORT

OVERVIEW

This report is the eighth environmental, social and governance ("ESG") report (the "Report") issued by the Company that serves as an annual ESG report, which covers the period from 1 January 2023 to 31 December 2023 (the "Reporting Period" or the "Year") to disclose the latest ESG performance of the Company for 2023. To enhance the comparability and completeness of the contents of the Report, some contents are traced back to previous years or extended to 2024, as appropriate.

REFERENCE FOR THE REPORT

The Report has complied with all the provisions in the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and reported on all recommended disclosures outlined in the Guide. The content index for the Guide is set out in Chapter 13 "CONTENT INDEX OF 'ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE' OF THE HONG KONG STOCK EXCHANGE" of the Report.

The content of the Report is prepared through a systematic process, including identifying important stakeholders, identifying and prioritizing material ESG issues, determining the scope of the Report, collecting the relevant materials and data, reviewing the data and preparing the Report based on materials.

SCOPE AND BOUNDARY OF THE REPORT

The Report discloses the ESG risks and management measures of the Company in accordance with the "materiality principle" in the Guide. The Report covers the Company and its wholly-owned subsidiaries and controlling subsidiaries. The scope of the Report is in line with the scope of consolidated financial statements as set out in the 2023 annual report of the Company.

EXPLANATION FOR ABBREVIATIONS

In order to facilitate presentation and reading, unless otherwise specified and for the purpose of the Report, the "Company" refers to Livzon Pharmaceutical Group Inc.*(麗珠醫藥集團股份有限公司)and each of the "Group", "we" and "Livzon" refers to the Company and its subsidiaries.

* *For identification purpose only*

Abbreviations of Major Subsidiaries of the Company

Full company name	Abbreviated company name
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.* （四川光大製藥有限公司）	Sichuan Guangda
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd.* （上海麗珠製藥有限公司）	Shanghai Livzon
Shanghai Livzon Biotechnology Co., Ltd., Jiaozuo Branch* （上海麗珠生物科技有限公司焦作分公司）	Shanghai Livzon Biotech
Livzon Group Livzon Pharmaceutical Factory* （麗珠集團麗珠製藥廠）	Pharmaceutical Factory
Livzon Group Limin Pharmaceutical Manufacturing Factory* （麗珠集團利民製藥廠）	Limin Factory
Zhuhai Livzon Diagnostics Inc.* （珠海麗珠試劑股份有限公司）	Livzon Diagnostics
Livzon MABPharm Inc.* （珠海市麗珠單抗生物技術有限公司）	Livzon MAB
LivzonBio, Inc.* （珠海市麗珠生物醫藥科技有限公司）	LivzonBio
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* （麗珠集團新北江製藥股份有限公司）	Xinbeijiang Pharma
Gutian Fuxing Pharmaceutical Co., Ltd.* （古田福興醫藥有限公司）	Gutian Fuxing
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* （焦作麗珠合成製藥有限公司）	Jiaozuo Hecheng
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* （麗珠集團（寧夏）製藥有限公司）	Ningxia Pharma
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* （珠海保稅區麗珠合成製藥有限公司）	Livzon Hecheng
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* （麗珠集團福州福興醫藥有限公司）	Fuzhou Fuxing
Zhuhai Livzon Microsphere Technology Co., Ltd.* （珠海市麗珠微球科技有限公司）	Livzon Microsphere
Lijian (Guangdong) Animal Healthcare Co., Ltd.* （麗健（廣東）動物保健有限公司）	Lijian

* *For identification purpose only*

DATA SOURCE AND RELIABILITY STATEMENT

The data and case studies in the Report are mainly derived from the formal documents, statistical reports, relevant public documents and internal reporting documents of the Group. The Company undertakes that the Report contains no false representations or misleading statements and is responsible for the truthfulness, accuracy and completeness of its contents.

CONFIRMATION AND APPROVAL

The board of directors (the "Board"), the environmental, social and governance committee of the Board (the "ESG Committee") and the senior management of the Company have reviewed the Report and guarantee that there are no false representations, misleading statements or material omissions in the Report.

AVAILABILITY OF THE REPORT AND FEEDBACK

The Report is available and can be downloaded from the website of Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk), the website of the Company (www.livzon.com.cn) and Cninfo (www.cninfo.com.cn).

For further enquiries or any comments or suggestions regarding the Report, please contact the Company by phone at (86) 756-8135888, (86) 756-8135990 or (86) 756-8135992, fax at (86) 756-8891070 or email at LIVZON_GROUP@livzon.com.cn.

The Report is prepared in both Chinese and English. In case of any discrepancies, the Chinese version shall prevail.

2 CHAIRMAN'S MESSAGE

Mr. Zhu Baoguo

Chairman of the Board

Dear stakeholders and all friends who care about Livzon,

In 2023, amidst the concerted efforts to deeply advance the Healthy China initiative and deepen the reform of the medical and healthcare system, Livzon, facing the uncertainty of the external environment and the certainty of the long-term sustainable development of the industry, has always been committed to the mission of "prioritizing the quality of life of patients". With the vision of "becoming a leader in the pharmaceutical industry", Livzon focuses on planning the robust operation and development in its main innovative pharmaceutical business. We have steadily promoted R&D innovation, continuously optimized the building of our professional talent pipeline, intensified efforts towards digital transformation, improved compliance management work, and accelerated the internationalization of our products. We have achieved steady performance growth and further solidified our foundation and comprehensive capabilities for sustainable corporate development.

Looking back to 2023, Livzon continued to deepen its efforts in the areas of gastroenterology, psychiatry, assisted reproduction, anti-tumor, etc., further strengthened its leading advantage in innovative drugs and high-barrier complex preparations, and continuously developed and formed a differentiated product pipeline covering the entire R&D lifecycle. While continuously strengthening independent innovation, Livzon continued to pay attention to cutting-edge technologies of new molecules in the field of global new drug R&D, enhanced external collaborations, and actively expanded the overseas footprint of its products. Our Tocilizumab Injection（托珠單抗注射液）was approved for market launch in early 2023, with current indications including rheumatoid arthritis, cytokine release syndrome (CRS), and systemic juvenile idiopathic arthritis (sJIA). This enables patients to access high-quality drugs with equivalent safety and efficacy at prices lower than the original product, benefiting a vast number of patients with autoimmune diseases in China. In addition, following the approval for emergency use of our Recombinant SARS-CoV-2 Fusion Protein Vaccine (CHO Cell)（重組新型冠狀病毒融合蛋白疫苗(CHO細胞)）, our Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO Cell)（重組新型冠狀病毒融合蛋白二價（原型株/Omicron XBB變異株）疫苗(CHO細胞)）was approved for emergency use in December 2023, which timely met the vaccination needs of the public for COVID-19 prevention. Notably, our Triptorelin Acetate Microspheres for Injection（注射用醋酸曲普瑞林微球）(1-month sustained release) and Ilaprazole Sodium for Injection（注射用艾普拉唑鈉）(added an indication for "prevention of stress ulcer bleeding in critically ill patients") were both approved for market launch within the Year, which further expanded the clinical applications of Livzon's drugs, benefiting a greater number of patients.

In terms of access to healthcare, Livzon actively responds to the national call, continuously improves the accessibility and affordability of its medical products, and helps fulfill the great task of "comprehensively advancing the building of a healthy China". During the Year, a total of 190 products of the Group were included in the Medical Insurance Catalogue, with 92 drugs in the class A list and 98 drugs in the class B list. In particular, the original patented innovative drug Ilaprazole Sodium for Injection（注射用艾普拉唑鈉）successfully renewed its coverage and expanded its reimbursement scope, with a price reduction of about 11% within the Year; the modified new drug Triptorelin Acetate Microspheres for Injection（注射用醋酸曲普瑞林微球）was included in the Medical Insurance Catalogue for the first time after its approval for market launch, with a price reduction by over 21% compared to imported preparations of the same type already on the market, significantly easing the medication burden on patients. In overseas markets, our biologic, Recombinant Human Choriogonadotropin alfa for Injection（注射用重組人絨促性素）, has received approval for market launch from the Indonesian Food and Drug Administration (BPOM), marking its successful entry into Indonesia, the largest market in Southeast Asia. This development has effectively addressed the issue of poor medication access in the field of reproduction for millions of local patients and enhanced the accessibility of our biologics in overseas countries. Additionally, Jingfu Antipruritic Granules（荊膚止癢顆粒）represents the Group's first proprietary Chinese medicine product approved in the Eurasian Economic Union (EAEU) member states, and successfully obtained an official registration certificate from the Russian Ministry of Health in December 2023. This product can be freely circulated and sold within the customs territory of the five EAEU member states, marking a rapid development phase in Livzon's "go global" strategy for traditional Chinese medicine.

In talent development, Livzon remains committed to a people-oriented approach, regarding employees as the valuable asset for the sustainable development of the Group. We are committed to enabling, safeguarding and developing the fundamental interests of employees, creating an equal, inclusive, diverse, and harmonious working environment, and achieving a harmonious alignment of corporate and employee values. Leveraging technological means such as human resources informatization, we have innovatively developed and effectively applied a targeted talent assessment system to gradually improve the Group's internal talent development mechanism. We continue to excel in talent management, offer employees competitive remuneration and comprehensive benefits and welfare, and share the Company's development achievements with them. Meanwhile, the Group also places a high emphasis on employee communication, continuously increases investment in talent development, improves promotion channels, and strengthens the cultivation, selection, and promotion system for internal talent, thus providing each employee with a platform and opportunities for sustainable development. Furthermore, we have developed and implemented long-term equity incentive plans multiple times to fully mobilize the enthusiasm and initiative of our employees and facilitate a long-term in-depth alignment of their growth with that of the Group.

In pursuit of a brighter future, Livzon actively responds to the national "dual carbon" goal, focuses on green development, and continuously pushes forward the Group's green and low-carbon transformation. During the Year, we conducted a comprehensive assessment of the climate change risks and opportunities faced by the Group's operations, and we developed and implemented scientifically sound response strategies and action plans. Moreover, we further intensified our efforts in energy management, energy conservation, and emission reduction, continuously enhanced environmental management across our operations and the entire product life cycle, and practiced green operation. As a result, we achieved a 10.5% reduction in total greenhouse gas ("GHG") emissions and a 27% reduction in emission intensity during the Year compared to the base year. This represents our concrete actions to promote energy conservation and carbon reduction throughout the value chain.

Livzon always bears the social responsibility as a pharmaceutical enterprises. We remain committed to social welfare by taking practical actions in areas such as prevention and treatment of chronic diseases, rural revitalization, assistance to the industries, education development, and disaster relief, contributing to the development of a healthy China. During the Year, the charitable donation of Livzon amounted to RMB16.98 million. We further advanced the "Public Welfare Program for Prevention and Treatment of Chronic Diseases". We entered into a total of 26 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases, which covered 8 provinces and 4 autonomous regions nationwide and helped nearly 20,000 low-income chronic disease patients. At the same time, our "Astragalus Membranaceus Industry Revitalization" program has accelerated the development of the local Astragalus membranaceus industry and the construction of the traditional Chinese medicine ecological bases and enabled local people in difficulties to work in places close to their homes. This has contributed to the formation of a sustainable model with a healthy cycle for the local economy and given new impetus to the rural revitalization strategy. The Group also continues to intensify its education assistance efforts by carrying out the "Supporting Education with Love" activities for donations to schools for consecutive years, which provide substantial material and financial support for education in remote areas and promote the high-quality education development in rural areas.

Looking ahead, Livzon firmly believes that stability leads to "far-reaching", and steadfastness is the key to "high-quality" development. Guided by national policies, we will continue to play a leading role, delve into the concept of sustainable development, and fulfill our corporate social responsibility. We will attract like-minded partners through a diverse and inclusive platform, lead the Group's high-quality development with technological innovation, and enhance people's well-being with superior products and services, tirelessly contributing Livzon's strength toward the ambitious goals of building a healthy China in all respects and achieving common prosperity.

Mr. Zhu Baoguo
Chairman of the Board

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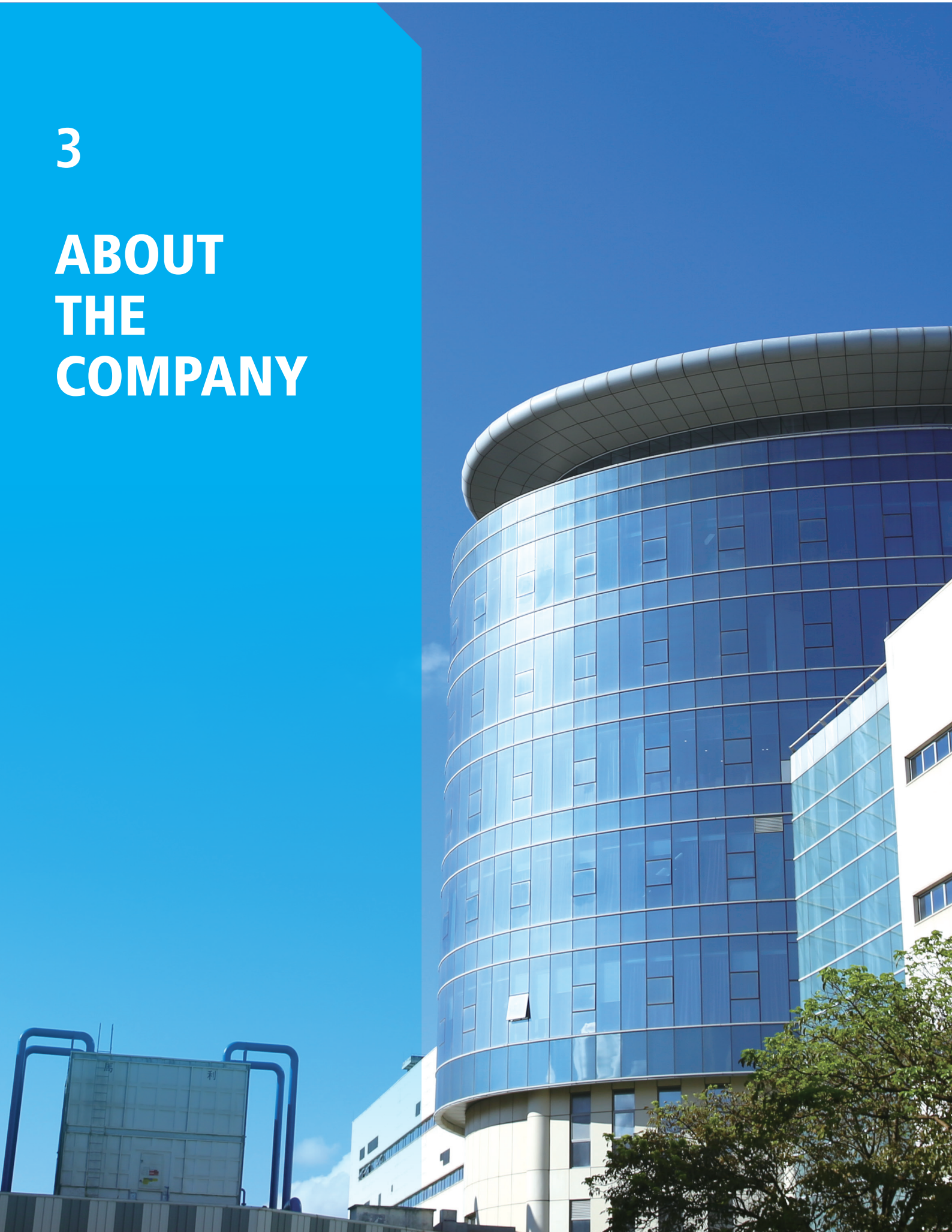
ABOUT THE COMPANY



Mission
Prioritizing the quality of life of patients

Vision
Becoming a leader in the pharmaceutical industry

Value
People-oriented, Craftsmanship Spirit, Trustworthy, Truth-seeking and Pragmatism-oriented, Happy Life, Happy Work

3.1 THE COMPANY'S BUSINESS

Founded in January 1985 and headquartered in Zhuhai City, Guangdong Province, the People's Republic of China (the "PRC" or "China"), the Company is a comprehensive group company that is principally engaged in pharmaceutical R&D, production and sales. We are among the top 100 enterprises in Chinese pharmaceutical industry (中國醫藥工業百強企業). The Company was listed on the main board of the Shenzhen Stock Exchange (stock code: 000513.SZ) on 28 October 1993, and listed on the main board of the Hong Kong Stock Exchange (stock code: 01513.HK) on 16 January 2014.

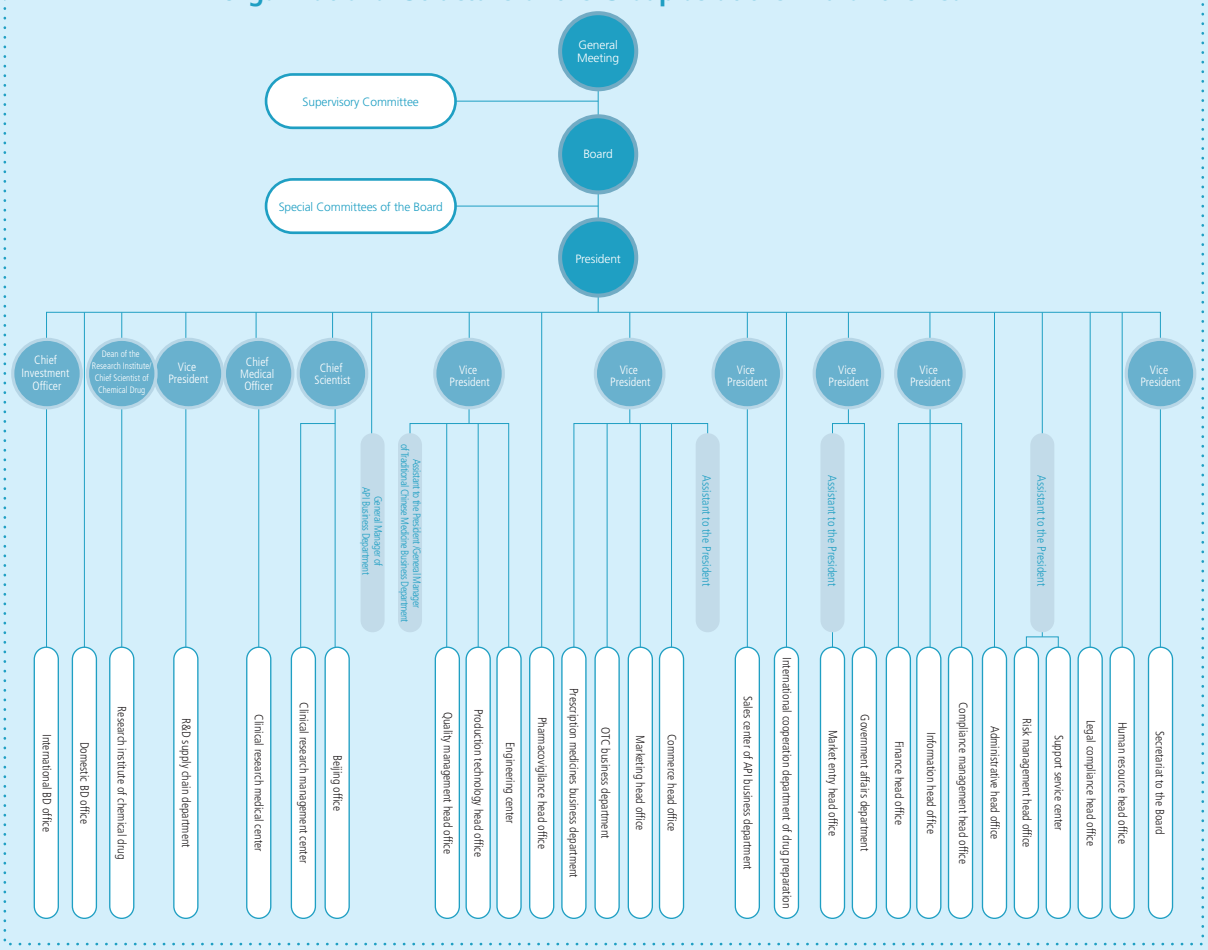
During the Reporting Period, there were no significant changes in the principal business of Livzon. Livzon was primarily engaged in the R&D, production and sales of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates as well as diagnostic reagents and equipment. Major products include drug preparation products such as Ilaprazole (Ilaprazole Enteric-Coated Tablet and Ilaprazole Sodium for Injection)(壹麗安(艾普拉唑腸溶片及注射用艾普拉唑鈉)), a series of Bismuth Potassium Citrate(麗珠得樂(枸櫞酸鉍鉀)) products, Rabeprazole Sodium Enteric-Coated Capsules(麗倍樂(雷貝拉唑鈉腸溶膠囊)), Weisanlian (Bismuth Potassium Citrate Tablets/Tinidazole Tablets/Clarithromycin Tablets(維三聯(枸櫞酸鉍鉀片／替硝唑片／克拉霉素片)), Leuprorelin Acetate Microspheres for Injection(貝依(注射用醋酸亮丙瑞林微球)), Urofollitropin for Injection(麗申寶(注射用尿促卵泡素)), Menotropins for Injection(樂寶得(注射用尿促性素)), Voriconazole for Injection(麗福康(注射用伏立康唑)), Fluvoxamine Maleate Tablets(瑞必樂(馬來酸氟伏沙明片)), Perospirone Hydrochloride Tablets(康爾汀(鹽酸哌羅匹隆片)), Shenqi Fuzheng Injection(參芪扶正注射液), and Anti-viral Granules(抗病毒顆粒); APIs and intermediates such as Mevastatin(美伐他汀), Acarbose(阿卡波糖), Colistin Sulfate(硫酸黏菌素), Phenylalanine(苯丙氨酸), Vancomycin Hydrochloride(鹽酸萬古霉素), Daptomycin(達托霉素), Milbemycin Oxime(米爾貝肟) and Ceftriaxone Sodium(頭孢曲松鈉); and diagnostic reagents such as Rapid Test for Mycoplasma Pneumoniae IgM Antibody (Lateral Flow)(肺炎支原體IgM抗體檢測試劑(膠體金法)), Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA)(人類免疫缺陷病毒抗體診斷試劑盒(酶聯免疫法)) and Antinuclear Antibody Test Kit (17) (Magnetic Barcode Immunofluorescence (抗核抗體檢測試劑盒(磁條碼免疫熒光發光法)).

3.2 CORPORATE GOVERNANCE

The Company has set up a corporate governance structure, which is composed of the general meeting of the Company (the "General Meeting"), the Board and its special committees, the supervisory committee (the "Supervisory Committee") and the senior management of the Company. The Company carries out operation in strict compliance with the Company Law of the PRC, the Securities Law of the PRC, the Stock Listing Rules of the Shenzhen Stock Exchange, the Hong Kong Listing Rules, relevant laws and regulations of China Securities Regulatory Commission ("CSRC") and the articles of association of the Company (the "Articles of Association"). The general meetings, meetings of the Board and meetings of the Supervisory Committee of the Company are convened, and the management decision-making and operation supervision are performed, pursuant to the requirements of the Rules of Procedures for the General Meetings, the Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee of the Company. During the Year, the decision-making and regulatory bodies of the Company, including the general meetings, the Board and the Supervisory Committee, strictly followed the requirements of the regulatory operating rules and internal system in performing management decision-making and operation supervision. The operating standards were proven to be effective. The special committees of the Board all performed their respective duties.

As at the disclosure date of the Report, the Board comprises 11 members, including 2 executive directors, namely Mr. Tang Yanggang (唐陽剛先生) (president) and Mr. Xu Guoxiang (徐國祥先生) (vice chairman and vice president); 4 non-executive directors, namely Mr. Zhu Baoguo (朱保國先生) (chairman), Mr. Tao Desheng (陶德勝先生) (vice chairman), Mr. Qiu Qingfeng (邱慶豐先生) and Mr. Yu Xiong (俞雄先生); and 5 independent non-executive directors, namely Mr. Bai Hua (白華先生), Mr. Tian Qiusheng (田秋生先生), Mr. Wong Kam Wa (黃錦華先生), Mr. Luo Huiyuan (羅會遠先生) and Ms. Cui Lijie (崔麗婕女士).

Organizational Structure of the Group as at the End of the Year



3.3 PERFORMANCE HIGHLIGHTS IN 2023

Economic performance

Net profit attributable to the shareholders of the Company

RMB **1,953.65** million,

a year-on-year increase of **2.32%**

Tax revenue created for the country

RMB **1,439.86** million

Wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees

RMB **1,582.87** million

Economic performance

Interest paid to creditors such as banks

RMB **103.00** million

Social contribution per share

RMB **3.40** per share

Accumulated cash dividends in the past 6 years (2017-2022)

RMB **6,915.50** million

Social performance

R&D innovation

Percentage of R&D employees to the total number of employees

10.14%

R&D investment and its proportion in operating income

RMB **1,235.11** million,

9.94%

Access to healthcare

Products included in the National Medical Insurance Catalogue

190

Equitable pricing policies based on local income levels in South Asia, Southeast Asia, South America, and Africa adopted for

27 products

3.3 PERFORMANCE HIGHLIGHTS IN 2023 *(continued)*

Social performance

Health and safety

Investment in work safety and occupational health
RMB
27.16 million

Coverage of the operations certified to GB/T 45001-2020/ ISO 45001:2018 Occupational Health and Safety Management System
100%

Number of work-related fatalities in all employees and contractors
0

Diversity and training

Percentage of female employees in total workforce
47.35%

Percentage of women in management positions
35.75%

Social performance

Percentage of women in the executive management
28.57%

Percentage of female directors
9.09%

Ratio of average base salary for the management (men: women)
0.95:1

Ratio of average base salary plus other cash incentives for the management (men: women)
1.03:1

Average training hours of employees
74.32 hours

Social performance

Public welfare and charity

Expenditure on charitable donation
RMB
16.98 million

As at the end of the Reporting Period, agreements signed in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases
26

As at the end of the Reporting Period, the number of low-income people with chronic diseases receiving our assistance
Nearly **20,000**

Total employee volunteering hours
8,209 hours

3.3 PERFORMANCE HIGHLIGHTS IN 2023 *(continued)*

Environmental performance

Greenhouse gas emission

Total greenhouse gas emissions and percentage of reduction compared to 2020

514,332.93 tCO_2e, 10.45%

Reduction of total greenhouse gas emissions compared to the previous year

51,327 tCO_2e

Reduction of greenhouse gas emission intensity compared to 2020

27%

(2023 target: 17%)

Target year of achieving carbon neutrality

2055

Environmental performance

Environmental investment

Environmental protection investment

RMB 78.87 million

including:

Investment in maintenance of environmental protection operation

RMB 68.21 million

Investment in upgrade of environmental protection facilities

RMB 10.66 million

System and certification

Coverage of the operations certified to GB/T 24001-2016/ ISO 14001:2015 Environmental Management System

100%

ESG rating performance

MSCI ESG scored

AAA

S&P Global ESG scored

65

Included in "The Sustainability Yearbook 2024" by S&P Global. Recognized as Industry Mover

Wind ESG scored

AA

Included in Top 100 Wind Chinese Listed Companies in Best ESG Practice in 2023

CDP (Climate Change Questionnaire) scored

B

CNI ESG scored

AAA

3.4 LIST OF HONORS

Part of the Honors of the Company

Name of Award	Issued by
Top 100 Wind Chinese Listed Companies in Best ESG Practice in 2023	Wind
The 7th China IR Annual Awards: Best ESG Award, Best Capital Market Communication Award, Best Disclosure Award	Roadshow China & Excellence IR
China ESG "Golden Awards"—2023 Excellent Enterprise for Environmental Responsibility	Sina Finance
2023 Pharmaceutical Industry Golden Kirin Award— Most Socially Responsible Pharmaceutical Company	Sina Finance
2023 Top 50 ESG Listed Companies in China's Non-Financial Industry	China Association for Public Companies, Economic View, and the China Corporate Governance Experts 50 Forum
The Top 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness in 2023 (Mid-cap Stocks)	Healthcare Executive
2023 Top 100 Innovative Chinese Pharmaceutical Enterprises	Healthcare Executive
Top1 of CSR Survey Score of Pharmaceutical Enterprises of Southern Weekly in 2022	Southern Weekly
5th New Fortune Best Listed Company	New Fortune
5th New Fortune Best ESG Practice Award	New Fortune
Best IR Company, Best Corporate Communication Award	Shenzhen Panorama Network Co. Ltd. & China Academy of Corporate Governance of Nankai University

3.4 LIST OF HONORS *(continued)*

Part of the Honors of the Company *(continued)*

Name of Award	Issued by
The 14th Tianma Award for Investor Relations	Securities Times & Guosen Securities
2023 Top 20 Board Governance Award for Listed Companies in the Greater Bay Area	Shenzhen Research Association of Corporate Governance & Financial Life Channel of Shenzhen Media Group
2023 Best Practice Creation Activity for the Board of Directors of Listed Companies—Good Practice Case, 2023 Best Practice Case for Board of Directors Offices of Listed Companies	China Association for Public Companies
The 17th Top 100 Value of Main Board Listed Companies in China	Securities Times
Best Investment Value for Listed Companies	Hong Kong Ta Kung Wen Wei Media Group & CCIC
Ranked 21st in the "2022 Top 100 Enterprises in Chinese Pharmaceutical Industry"	China National Pharmaceutical Industry Information Center
2023 Best Investment Value for Enterprises in Chinese Pharmaceutical Industry	China National Pharmaceutical Industry Information Center
Top 100 ESG Golden Bull Award in the 1st China Reform Cup	China Securities Journal & China Reform Consulting
2023 Health Industry Brand List: Livzon Anti-viral Granules for Adult's Wind-heat Type Common Cold and Iylian for Gastritis and Gastric Ulcer	China Health Ecology Organization

3.4 LIST OF HONORS *(continued)*

Part of the Honors of the Company's Subsidiaries

Name of Award	Issued by
Silver Award of the 1st East, West and North Guangdong Intellectual Property Innovation and Entrepreneurship Competition (Patent for Invention Division)	Shantou Municipal Administration for Market Regulation & Shantou Municipal Executive Committee Office
Guangdong Provincial Science and Technology Achievements Promotion Award	People's Government of Guangdong Province
The 1st List of Top 100 Brand Value Enterprises in Fujian	Fujian Federation of Enterprises and Entrepreneurs & Fujian Brand Construction Promotion Association
Third Prize of Excellent Innovative Products of Industrial Enterprises in Fuzhou	Fuzhou Bureau of Industry and Information Technology
List of Top 100 Private Enterprises in Ningxia in 2023	Federation of Industry and Commerce of Ningxia Hui Autonomous Region, Department of Industry and Information Technology of Ningxia Hui Autonomous Region, and other five departments
2022 Outstanding Economic Contribution Award in Pudong New Area	People's Government of Shanghai Pudong New Area
2023 Annual Excellent Biochemical and Biological Enterprises Brand	China Biochemical Pharmaceutical Industry Association
Third Price of the 7th "Maker Guangdong" Biopharmaceutical and Health SME Innovation and Entrepreneurship Competition (Enterprise Division)	Guangdong Dazhihui Holding Group Co., Ltd., Guangdong Provincial Department of Industry and Information Technology, Guangdong Provincial Department of Finance, etc.
Advanced Enterprise in Statistics in Pharmaceutical Industry in Guangdong Province in 2023	Guangdong Province Pharmaceutical Industry Association

3.4 LIST OF HONORS *(continued)*

Part of the Honors of the Company's Subsidiaries *(continued)*

Name of Award	Issued by
Winner of "Pharmaceutical and Health" Qualifier (Enterprise Division) for the 8th "Maker in China" Sichuan Province SME Innovation and Entrepreneurship Competition	Sichuan Pharmaceutical Industry Association
Top 100 Zhuhai Innovative Enterprises for Economic Contribution in 2022	Zhuhai Municipal Bureau of Science and Technology Innovation
Top 100 Zhuhai Innovative Enterprises for Comprehensive Innovation Strength in 2022	Zhuhai Municipal Bureau of Science and Technology Innovation
Specialized and Sophisticated SMEs in 2022	Guangdong Provincial Department of Industry and Information Technology
Guangdong Provincial Science and Technology Achievements Promotion Award in 2022	Guangdong Provincial Office of Science and Technology Award Review Committee
Top 20 Manufacturing Enterprises in Pengzhou City	CPC Pengzhou Municipal Committee & Pengzhou Municipal People's Government
High-Tech Enterprise	Sichuan Provincial Department of Science and Technology, Sichuan Provincial Department of Finance, and Sichuan Provincial Tax Service, State Taxation Administration
Third Prize of the Science and Technology Award of Chinese Association of Integrative Medicine	Chinese Association of Integrative Medicine
Outstanding Award of Industry and Information Technology in Fuzhou	Fuzhou Federation of Enterprises and Entrepreneurs

4

ESG GOVERNANCE

A robust ESG governance system is the internal foundation on which companies can efficiently fulfill their environmental and social responsibilities. To achieve the Company's ESG management targets, Livzon continuously strengthens ESG risk management, regularly reviews the progress of ESG tasks, and rationally adjusts ESG governance policies and strategies. Meanwhile, we maintain active communication with stakeholders, hear from various parties, fully integrate the ESG philosophy into corporate operation decisions, and promote the coordinated development of the upstream and downstream players of the industrial value chain.

4.1 BOARD STATEMENT

The Board of the Company places great importance on the deep integration of ESG management philosophy and corporate development strategy, pays close attention to the comprehensive performance of Livzon's ESG governance, and continues to improve the ESG management mechanism. While ensuring the achievement of the Company's business objectives, we actively respond to the expectations of various stakeholders, effectively fulfill our corporate social responsibility, keep creating long-term value for society, and provide a strong guarantee for the Group's sustainable and high-quality development.

ESG management approach and strategy:

The Board continuously monitors global ESG development trends and changes in the macroeconomic situations at home and abroad, takes active part in stakeholder communication, comprehensively identifies ESG-related risks and opportunities on a regular basis in the context of the Company's development strategy planning, production and operation conditions, and the results of stakeholder communication, and makes timely optimization and adjustment of the ESG management approach and strategy to ensure that the Group's ESG philosophy is up-to-date.

ESG risk management:

The Board assesses the materiality of ESG issues and reviews the assessment results annually based on the Company's actual development needs, defines the focus of ESG risk management efforts, timely adjusts and updates the Company's ESG risk management plan, and continuously improves the Company's risk management system under the guidance of the ESG Committee. At the same time, the Company timely adjusts and implements ESG-related internal audit plans as needed to ensure the long-term effectiveness of the Company's ESG risk management measures, and the Board reviews the results of the relevant audit work and the implementation of corrective actions on a regular basis.

4.1 BOARD STATEMENT *(continued)*

Goal setting and progress review:

To effectively promote Livzon's ESG management work, the Company has established a responsibility mechanism for ESG goal management, linking the remuneration of all members of the ESG working team under the ESG Committee (the "ESG Working Team", consisting of the president, vice presidents, and heads of all functional departments, business units and subsidiaries of the Company) to ESG performance, thus achieving a mechanism of linking management remuneration to ESG performance.

The ESG Working Team has set quantifiable ESG goals and corresponding implementation initiatives, which are reviewed by the ESG Committee and submitted to the Board for approval. These ESG goals include product quality and safety, occupational health and safety, discharge of pollutants, work safety, resource consumption, greenhouse gas emissions, climate change response, etc. The Board regularly reviews the progress of achieving the ESG goals and provides requirements and recommendations for action on items that require improvement. Currently, the remuneration of the Company's management has been linked to the management effectiveness of the three most important ESG issues identified by the Company. The carbon emission reduction target for the Year were achieved, the details of which are shown in "10.2 ENVIRONMENTAL MANAGEMENT TARGETS" of the Report.

As at the disclosure date of the Report, the ESG Committee has held a total of six meetings (four of which were held this Year), which revised and improved the Company's ESG-related systems, and reviewed the ESG report for 2022, the achievement of the environmental management targets and the carbon emission reduction target for 2022, the progress of energy conservation & emission reduction and carbon emission reduction for the first half of 2023, and suggestions for ESG management improvement for 2023. These meetings also reviewed the Group's work performance in the following aspects: diversity, data security and privacy protection, human rights due diligence, gender pay gap, access to healthcare, TCFD climate risk and opportunity management, water risk assessment, the assessment of material issues for 2023, etc. The ESG Committee has reported to the Board six times regarding the above ESG-related issues.

4.2 ESG GOVERNANCE FRAMEWORK

In its continuous improvement of the ESG governance system and management mechanism, the Company has established a top-down ESG governance framework and management mechanism. The Board is the highest decision-making body for Livzon's ESG governance and is ultimately responsible for the ESG work of the Group. The ESG Committee under the Board is responsible for formulating and reviewing the vision, goals, strategies, management policies, governance framework, operational management and implementation effectiveness of the Group's ESG, regularly reporting to and advising the Board on the performance of ESG-related work, and supervising the implementation of the corresponding improvement plans.

The ESG committee is accountable to the Board and its proposals and reports are submitted to the Board for deliberation and approval. The terms of reference of the ESG Committee require that the ESG Committee shall consist of at least five members, a majority of whom must be independent non-executive directors of the Company, nominated by the chairman, at least one-half of the independent non-executive directors or at least one-third of all directors, and appointed and removed by a majority of all members of the Board.

The ESG Committee has the ESG Working Team as its executive body, which is mainly responsible for making preliminary preparations for the ESG Committee's decisions, collaborating with each department, unit and subsidiary of the Company to fully implement the ESG work, regularly sorting out and summarizing the progress and results of the Group's ESG-related work, and reporting to the ESG Committee.

4.2 ESG GOVERNANCE FRAMEWORK *(continued)*

ESG management level	Members	Specific duties
ESG Committee (governance level)	• Chairman: Mr. Zhu Baoguo, the chairman of the Board • Members: Mr. Tang Yanggang, an executive director, and Mr. Bai Hua, Mr. Wong Kam Wa and Mr. Tian Qiusheng, the independent non-executive directors	1. Formulating and reviewing the vision, targets, strategies and management policies of ESG 2. Reviewing and monitoring the management structure, policies and operation management of ESG, and reporting and offering recommendations to the Board
Team leader and deputy leader of the ESG Working Team (leadership level)	• Team leader: president of the Company • Deputy leader: all vice presidents, chief scientist, chief investment officer, chief medical officer, secretary to the Board, all assistants to the president, dean of the research institute, general manager of API business department, and general manager of traditional Chinese medicine business department	1. Taking charge of daily management of specific ESG tasks 2. Regularly reviewing the key ESG data of the Company 3. Leading annual information summary and report preparation of ESG
Members of the ESG Working Team (implementation level)	Heads of each functional department of the Company, heads of each subsidiary of the Company and heads of each business unit of the Company	1. Collecting and reporting ESG information 2. Implementing specific ESG tasks 3. Reporting to the ESG leadership

4.3 COMMUNICATION WITH STAKEHOLDERS

We highly emphasize maintaining good communication with internal and external stakeholders, establishing a normalized communication mechanism for timely knowledge of stakeholders' requirements, and continuously optimizing and adjusting communication channels to actively respond to stakeholders' concerns, thereby steadily promoting the orderly implementation of the Group's sustainable development activities.

Stakeholders	Requests of communication	Communication channels
Government departments	• Comply with relevant laws and regulations • Ensure quality and safety of drugs • Cooperate with the regulatory work of the government in supporting healthy industrial development • Ensure tax compliance and promote local economic development	• Supervision and inspection • Work reports • On-site visits • Meetings between the government and the corporate sector • Information disclosure
Shareholders and investors	• Protect the legal right of shareholders • Understand the operating results, governance standards and risk control measures of the Company • Steady operation to stabilize investment return • Open, fair and equal information disclosure	• General meetings • Company website • Investor communication conferences and on-site visits • Material operation information and interim announcements, and financial information of the Company • Face-to-face interviews, hotlines and e-mails • Easy Interactive Platform of the Shenzhen Stock Exchange • Website of Hong Kong Exchanges and Clearing Limited • Roadshow
Employees	• Safeguard the basic rights of employees • Care for employees' mental and physical health and safety • Understand employees' needs and their suggestions to the Company • Provide employee training and career development platform • Improve employee remuneration and benefits	• Workers' representatives conference and trade union • Employee engagement survey • Opinion feedback platform • President's suggestion box, general manager's suggestion box • Daily communication • Online learning platform • WeCom • Discussion meetings • Employee training

4.3 COMMUNICATION WITH STAKEHOLDERS *(Continued)*

Stakeholders	Requests of communication	Communication channels
Consumers and clients	• Protect consumer rights • Uphold business ethics • Ensure quality and safety of drugs, timely recall defective products • Provide high-quality after-sales service guarantee	• Product labels and information disclosure • Client visits • Consumer satisfaction survey • Handling of consumer complaints and opinions
Partners and suppliers	• Maintain good and stable cooperation relationship • Operate with integrity and ensure pharmaceutical compliance • Timely communicate and coordinate with upstream and downstream players to achieve mutual benefits	• Regular communication • Compliance training and publicity • Working meetings, phone calls and correspondences • Company website • Supplier audit
The media	• Maintain open and transparent information disclosure • Keep good interaction with the media	• Phone interviews and correspondences • Featured articles • Company website
Industry peers	• Maintain fair competition among peers to promote healthy industrial development • Promote sharing of technology and experience among enterprises	• Meetings of industry organizations • Experience sharing sessions • On-site visits and communication
Local community	• Enhance recycling of waste such as waste and used product packaging, etc. to reduce environmental pollution • Concern for the impact of manufacturing and operation activities on the local community • Drive local economic development and provide assistance for the disadvantaged groups • Promote health education and help patients	• Disclosure of environmental information • Participation in public welfare events • Provision of regular assistance to the local community • Volunteer service

4.4 MATERIAL ISSUES

During the Year, the Company engaged an external professional consultant to review and assess its ESG issues for the Year. Considering the concerns from internal and external stakeholders, the consultant summarized and concluded material ESG issues of the Company as the basis of the preparation of the Report.

Materiality assessment process

- **Review and update the pool of ESG issues:** reviewed the results of materiality assessment for 2022, and updated the pool of ESG issues for the Year after comprehensive assessment by taking into account of the overall business development of the Group in 2023 and the advanced ESG management practices of peer companies;

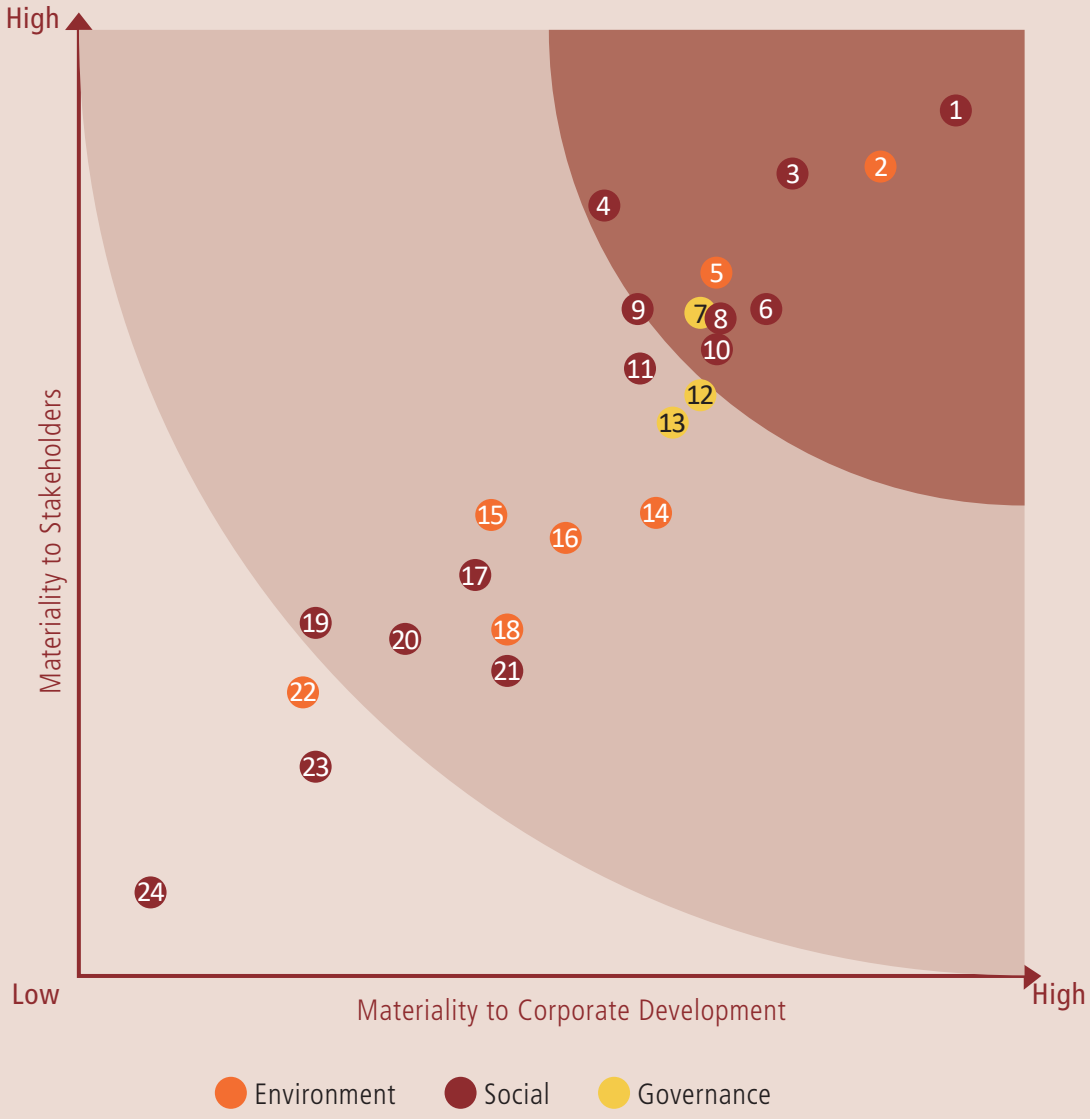
- **Formulate and implement the stakeholder engagement program:** paying attention to the trends of the pharmaceutical industry development and the overall economic and social development and taking into account of the Company's own situation during the Reporting Period, we communicated and investigated with important stakeholders to understand and collect relevant opinions and suggestions;

- **Quantify and evaluate material ESG issues:** invited internal and external stakeholders to evaluate the materiality of each issue, and drew a matrix of material issues. The Company conducted an online survey in December 2023, inviting stakeholders in each category to rate the materiality of ESG issues in 2023 of Livzon, on a scale of 1 to 5, in ascending order of materiality. After the survey, the Company analyzed the feedbacks of all participants and evaluated the materiality of each issue from two dimensions of "materiality to corporate development" and "materiality to stakeholders" to obtain a materiality matrix of ESG issues in the Year of Livzon and the priority of the issues. The survey covered a wide range of stakeholders including directors, senior management, middle management, employees, investors, suppliers, distributors, and government regulators;

- **Review and approve the assessment report on material issues:** submitted the assessment report on material issues to, and published the results after review and approval by, the management.

4.4 MATERIAL ISSUES *(continued)*

2023 ESG Material Issues Matrix of Livzon



4.4 MATERIAL ISSUES *(continued)*

List of ESG Issues in 2023 of Livzon

	No.	Name of ESG issues
Issues of high materiality	1	Product quality and safety
	2	Pollutants prevention and control
	3	Occupational health and safety
	4	Employee remuneration and benefits
	5	Emission management
	6	Product R&D and technological innovation
	7	Business ethics and anti-corruption
	8	Customer privacy and data security
	9	Protection of labor rights and interests
	10	Intellectual property rights protection
Issues of medium materiality	11	Diversity, equality, and inclusiveness
	12	Risk management
	13	Corporate governance and operation compliance
	14	Climate change mitigation and adaptation
	15	Water resource management
	16	Energy efficiency and management
	17	Sustainable supply chain management
	18	Resource consumption management
	19	Talent attraction, retention, and development
	20	Access to healthcare and accessibility
	21	Responsible marketing
Issues of low materiality	22	Biodiversity
	23	Industry development and cooperation
	24	Community public welfare and charity

4.4 MATERIAL ISSUES *(continued)*

Based on the materiality assessment results for the Year, we conducted an in-depth analysis of the impact that the top-ranked issues of high materiality have on external stakeholders. For example, in terms of product quality and safety, any occurrence of drug quality and safety issues may lead to medication misadventures (e.g. adverse drug events or treatment failures), potentially inflicting grave harm to the patients' physical health or jeopardizing their lives. In terms of environmental impact, the production process of an enterprise generates wastewater, waste gas, waste, and noise; improper disposal of these pollutants, such as Chemical Oxygen Demand (COD), ammonia nitrogen, heavy metals, and sulfur dioxide, if released directly into the natural environment, may lead to water pollution, air pollution, or noise pollution, thereby affecting the surrounding environment and ecological balance and even posing threats to human health.

4.5 RISK MANAGEMENT

A robust risk management system is fundamental to a company's long-term stable operations. Livzon continuously improves its risk management level and perfects its risk management system, and builds solid risk defenses for the Group's high-quality and stable development through comprehensive and effective risk management and internal control.

Risk Governance Framework

The Group has established a "three lines of defense model", a risk governance framework, to effectively control corporate risks, strengthen systematic risk management, and achieve risk management objectives. The highest governing body within the framework is the audit committee under the Board (the "Audit Committee").

The "three lines of defense" are, in ascending order of reporting lines: the business units, the risk management head office, and the audit and integrity department. The audit and integrity department of the Company reports directly to the Audit Committee, and its audit work is structurally independent of any business unit of the Group.

At the Board level, the Audit Committee, consisting of three independent non-executive directors, is responsible for overseeing the Group's risk management work. The Audit Committee regularly reviews the Group's risk management policies, objectives and implementation on an annual basis, and reports directly to the Board.

4.5 RISK MANAGEMENT *(continued)*

Risk Governance Framework *(continued)*

Risk Management Process

Our business units are responsible for managing risks in the day-to-day operations, assessing and controlling various types of risks within their business scope, formulating and implementing mitigating action plans, and reporting regularly to, and receiving guidance and oversight from, the Company's risk management head office.

The risk management head office of the Company is responsible for monitoring and supporting the risk management process across the entire Group. It conducts risk monitoring in finance, operations, compliance, ESG, and other aspects for the Company and its subsidiaries, such as capital management, research and development, quality control, asset management, sales businesses, related party transactions, climate risks, and other high-risk areas.

4.5 RISK MANAGEMENT *(continued)*

Risk Management Process *(continued)*

We conduct risk review across all operations of the Group at least once a year. The specific process is as follows: the risk management head office works with the business units to assess the likelihood of risk occurrence and the potential magnitude of their impact on the business, and to create a risk identification list (including risk prioritization) based on the risk assessment results, so as to understand the severity of each risk and its impact on the Group's operations. Based on the risk assessment results, each business unit is responsible for formulating and implementing mitigating action plans. The risk management head office regularly oversees progress and promptly follows up on the effectiveness of the relevant risk mitigating actions taken to ensure that risks are eliminated or their impact is minimized.

Example: identified risks

- Risk of trade secrets disclosure
  - Description of the risk: Disclosure of the Company's core technologies, intellectual property, strategies, and other trade secrets to competitors may lead to the Company's decreased revenue and weakened competitiveness.
  - Likelihood of risk occurrence: Likely
  - Magnitude of the potential impact on business: Medium-high
  - Mitigating actions: Improve confidentiality measures, including, but not limited to, implementing classification management of trade secrets, identifying new positions that involve secrets, refining job responsibilities, signing confidentiality agreements, and raising employee awareness of confidentiality and legal risks about trade secrets.
- Risk of single-supplier procurement
  - Description of the risk: Over-reliance on a single supplier may lead to the Company's lack of flexibility in technology, pricing, and supply, resulting in price monopolies, increased procurement costs, or risks such as production stoppages.
  - Likelihood of risk occurrence: Likely
  - Magnitude of the potential impact on business: Medium
  - Mitigating actions: Eliminate single-source procurement as a routine procurement practice by, for example, developing dual sourcing plans, establishing reasonable inventories, and signing supply assurance agreements; conduct regular supply chain risk assessments and maintain supplier relationships.

4.5 RISK MANAGEMENT *(continued)*

Risk Audit

The audit and integrity department of the Company conducts an audit of the Group's risk management process at least once a year to confirm and assess the integrity and effectiveness of the risk management system of each business unit of the Group, conducts continuous supervision and inspection, and reports to the Audit Committee.

Emerging Risk

On an annual basis, we identify and assess emerging risks to the long-term development of the Group and social progress in the social and environmental fields, and take appropriate measures to prevent and mitigate them in the course of operations.

Name of emerging risk	Risk description and impact	Mitigating actions
Application of Artificial Intelligence (AI)	As an emerging technology, AI introduces new technological means for new drug R&D. However, as an emerging field, it faces many challenges and uncertainties. At present, the regulatory legislation and quality standard setting for AI in the healthcare sector are generally lagging behind. Given that AI systems make automated processing, analysis, and decisions through deep machine learning of vast amounts of medical health data, there is a risk that large amounts of medical data will be leaked during use, which will have a negative impact on patient privacy. Therefore, the application of AI technology also raises ethical challenges.	We will closely monitor the regulatory dynamics of AI and the latest laws and regulations issued in the healthcare sector, continuously improve protection measures for privacy and data security, and strive to minimize the probability of data breach and other information security incidents. At the same time, we entrust third-party independent institutions every year to conduct an annual audit of the Group's information systems and information security policies. We take corrective actions and make improvements based on the audit results, and continue to improve the risk prevention system of the Group's information and data security.

4.5 RISK MANAGEMENT *(continued)*

Emerging Risk *(continued)*

Name of emerging risk	Risk description and impact	Mitigating actions
Political Environment Risk	Changes in international relations may lead to the implementation of trade restrictions and the erection of tariff barriers between countries, thus disrupting the import & export and transportation of products, resulting in shortages of raw materials and production interruptions, which affect the stability of the supply chain. It may also lead to technological blockades, further affecting technological exchange and cooperation within the industry.	In response to changes in the international political environment, we will anticipate potential risks with a proactive mindset. Our response measures include, but are not limited to: • Strengthen R&D of critical products and research on the domestication of production raw materials to further reduce dependence on imported bottleneck products; • Rationally plan product R&D and manufacturing, and initiate the storage of relevant raw materials in advance to improve supply chain stability; • Establish good relations with governments, industry associations and other stakeholders, keep abreast of industry trends, so as to further mitigate the risks posed by changes in international relations.

5

OPERATION COMPLIANCE

As a responsible enterprise, Livzon always persists in operating in a compliant and honest manner and has established a sound corporate governance system in strict compliance with national laws and regulations. We integrate business development with the Group's integrity values, compliance requirements and the expectations of various stakeholders, continue to improve the Group's governance level, effectively safeguard the long-term interests of all stakeholders, and build a positive corporate image, thereby laying a solid foundation for the healthy and sustainable development of Livzon.

5.1 BUSINESS ETHICS

Regarding management of business ethics as a priority of corporate governance, the Group strictly adheres to laws and regulations and the requirements of regulatory agencies. We have developed a sound and effective internal risk management system, established and continuously optimized a series of internal control systems covering all operations of the Group, and set up a sound audit mechanism, so as to achieve effective supervision of business ethics related matters such as anti-corruption and anti-bribery, whistleblowing and complaints, clinical ethics, and responsible marketing, to prevent the occurrence of misconduct, violations, and fraud behaviors in various forms, and to enable effective prevention and control of internal risks of the Group.

In our continuous strengthening of system construction, we have formulated various business ethics management policies, including the Anti-Corruption and Anti-Commercial Bribery Regulations, the Interim Provisions on Anti-Fraud, the Code of Professional Ethics for Employees, the Administrative Regulations on Staff Integrity, the Administrative Measures for Whistleblowing and Complaint, etc., which set out detailed requirements of anti-bribery, anti-corruption, and integrity for all employees and stakeholders of the Group.

At the same time, we have built an independent internal audit system in alignment with the development of the Company, and established and continuously improved internal audit policies such as the Corporate Internal Control Guidelines, the Code of Professional Ethics for Internal Auditors, and the Internal Audit Work System. We strictly regulate matters related to audits of business ethics, and have revised and improved relevant regulations on the code of conduct for auditors, audit standards, risk management procedures and guidelines for different positions, etc.

5.1 BUSINESS ETHICS *(continued)*

The Company has established the audit and integrity department, which is accountable to the audit committee of the Board (the "Audit Committee"). As the executive body of the Audit Committee, the audit and integrity department is responsible for managing the Group's business ethics related matters including anti-corruption and anti-bribery, and for conducting business ethics audits on all businesses of the Group.

In addition, the audit and integrity department is responsible for auditing the risk management, internal control and financial position of each unit of the Group, confirming and assessing the integrity and effectiveness of each unit's risk management and internal control system, conducting continuous supervision and inspection, and reporting to the Audit Committee.

The audit and integrity department reports directly to the Audit Committee, and its audit work is independent of any business unit of the Group.

We conduct audits of business ethics on all operations of the Group on a continuous basis. In accordance with the audit plans developed by the Audit Committee, the audit and integrity department annually conducts audits of business ethics and related policies (e.g. the anti-corruption policy) on all operations of the Group and evaluates the effectiveness of business ethics management measures. The audit and integrity department will respond to issues identified during the audit by proposing corrective actions, regularly checking and following up their completion, and ensures the implementation of business ethics related policies such as anti-corruption and anti-bribery. The audit and integrity department regularly reports to the Audit Committee and the Board on the achievements and correction proposals of business ethics management.

By using various audit methods such as comprehensive internal control audit, economic responsibility audit and special audit, the audit and integrity department is continuously improving the Group's risk management and internal control and constantly enhancing the Group's ability to prevent risks. Specifically, a comprehensive internal control audit emphasizes and tracks compliance with business ethics and related policies in the whole process. As at the end of the Reporting Period, the audit and integrity department had completed 41 comprehensive internal control audits, 20 special audits, and 5 economic responsibility audits on each enterprise of the Group, and had urged each enterprise to develop and take corrective actions specific to each correction proposal.

5.1 BUSINESS ETHICS *(continued)*

5.1.1 Anti-corruption

Always upholding the philosophy of operating with honesty and integrity, Livzon adopts a zero-tolerance attitude toward any form of corruption and constantly improves anti-corruption system construction. We use the integrity supervision platform to expand the internal and external channels of supervision, and actively establish an all-round and multi-dimensional anti-corruption prevention and control system. At the same time, we have established clear channels for whistleblowing and complaints, and have taken measures to effectively protect the legal rights and interests of whistleblowers.

During the Year, we did not identify nor were aware of any concluded legal cases regarding corrupt practices, money laundering or insider trading brought against the Group or its employees.

Anti-corruption system

The Group strictly abides by the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC, the Interim Provisions on Banning Commercial Bribery, and other national policies, regulations and guidelines, and has formulated anti-corruption related regulations such as the Anti-Corruption and Anti-Commercial Bribery Regulations, the Interim Provisions on Anti-Fraud, the Administrative Regulations on Staff Integrity, the Code of Labor Employment and Ethical Conduct, and the Employee Grievance Management System. During the Reporting Period, the Company improved the Anti-Corruption and Anti-Commercial Bribery Regulations to further specify responsible departments and supplement anti-corruption related provisions.

We require all interested parties (including all suppliers, service providers, contractors, clients, etc.) that have business relationship with the Group to strictly comply with the Anti-Corruption and Anti-Commercial Bribery Regulations and sign the Supplier Commitment for Operating with Integrity. To comprehensively strengthen the anti-corruption management for all parties that have business relationship with the Group, we have defined integrity commitment clauses in all commercial contract templates of the Group, requiring the counterparties such as suppliers to commit to operating with integrity and take active part in integrity trainings organized by the Group. If there is any violation, the Group has the right to terminate the contract.

As a result of the above measures, the Group's anti-corruption policy has become materially binding on all suppliers and other counterparties in the legal form of the signing of commitments and contracts.

In addition, we regularly evaluate suppliers' performance of business ethics such as anti-corruption on an annual basis to verify their compliance with the Company's anti-corruption policy and other business ethics related policies. There are no less than 4 evaluations per year for critical suppliers, no less than 2 evaluations per year for key suppliers and no less than 1 evaluation per year for critical indirect suppliers.

At the same time, we regularly conduct anti-corruption audits on all critical suppliers, key suppliers and general suppliers (i.e. all Tier 1 suppliers). In daily operations, the risk control departments of each enterprise of the Group continuously supervise the procurement process and provide suppliers trainings on business ethics such as anti-corruption. During the Year, we conducted anti-corruption audits on 670 suppliers.

5.1 BUSINESS ETHICS *(continued)*

5.1.1 Anti-corruption *(continued)*

Anti-corruption system *(continued)*

For any corruption and commercial bribery committed by the employees of the Group that is proved to be true, the Group shall, depending on the seriousness of the circumstances, impose a penalty in accordance with the Labor Employment Management System of the Company. If the circumstances are serious, the labor relationship shall be terminated, and the loss caused to the Group shall be recovered in accordance with the law. Any suspected criminal offense shall be transferred to judicial organs.

Our Anti-Corruption and Anti-Commercial Bribery Regulations, the Interim Provisions on Anti-Fraud, the Administrative Regulations on Staff Integrity, the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery and the Supplier Commitment for Operating with Integrity have all been published on the Company's official website.

Summary of the Anti-Corruption and Anti-Commercial Bribery Regulations

All clients, suppliers, service providers and contractors that have business relationship with the Group are required to comply with this regulation and sign the Supplier Commitment for Operating with Integrity with the Group as provided for in the signed contracts or submitted tenders. They are not allowed to give or receive cash or in-kind benefits directly or indirectly in the name of rebates, promotion fees, publicity fees, labor fees, etc., in addition to normal transactions for the purpose of obtaining business opportunities or improper benefits, and they should conduct regular self-inspections to ensure compliance.

If there is any breach of commitment, those suppliers, service providers, agents and distributors shall be disqualified, their bidding qualification shall be cancelled, and their contracts shall be terminated. Any suspected criminal offense shall be transferred to judicial organs.

The Staff Commitment for Anti-Corruption and Anti-Commercial Bribery shall be signed by staff who are in important positions and important links of the Group, and their performance of the commitment shall be followed up and inspected. Their performance of the commitment will be regarded as a key indicator of appraisal and an important basis for appointment and dismissal.

For whistleblowing and complaints proved to be true, the whistleblower or complainant shall be given certain material reward in accordance with regulations of Labor Employment Management System of the Company, and such whistleblowing and complaints will be regarded as a basis for promotion and salary raise.

5.1 BUSINESS ETHICS *(continued)*

5.1.1 Anti-corruption *(continued)*

Creating an atmosphere of integrity

Livzon is always dedicated to building a compliance culture of honesty and integrity. With continuous efforts on internal and external promotion of anti-corruption and integrity and by providing regular promotion and education of integrity, anti-corruption, and honesty, we are striving to raise the awareness of operating with integrity among our employees and parties that have business relationship with us, thus enabling an atmosphere of operating with integrity within the Group.

The Company has formulated the Administrative Regulations on Staff Integrity to specify the business ethics standards to be followed by employees and to further regulate the behaviors of employees. The Company requires leaders at all levels to be the primary persons responsible for anti-fraud issues and all the management and staff in important positions to sign the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery as a commitment to not misappropriating and impairing the interests of the Company or seeking improper benefits in the performance of duties. The Group conducts appraisals and audits of moral quality and integrity on the management at all levels and staff in key positions from time to time, and regards their performance of operating with integrity as an important basis for their performance appraisal, promotion, and appointment and dismissal.

We regularly conduct promotion and trainings on anti-corruption awareness and the philosophy of operating with integrity through various means, such as the promotion and implementation of staff handbooks and company regulations, and employee training, so as to improve the integrity awareness of all employees and enhance their understanding of the business ethics and compliance management practices that should be followed in the pharmaceutical industry.

We require that all permanent employees, part-time employees and contractors of the Group participate in business ethics training on the Company's online training platform at least once a year. Specific training content includes, but is not limited to, the requirements of the Company's anti-corruption policy, staff integrity regulations, administrative measures for whistleblowing and complaint, etc. We will verify the effectiveness of the trainings through appraisal or other means. The thematic training on business ethics has also been incorporated into the onboarding trainings for new employees and fresh graduates, enabling new employees to establish the concepts of operation with integrity, honesty and impartiality, and adherence to professional ethics from the day of induction.

During the Year, we conducted a training program on business ethical standards covering all permanent employees, part-time employees and contractors of the Group, reaching a training coverage of 100%.

5.1 BUSINESS ETHICS *(continued)*

5.1.1 Anti-corruption *(continued)*

Creating an atmosphere of integrity *(continued)*

In addition, the Company offers anti-corruption trainings and risk management trainings for all directors at least once a year to enhance directors' professional level and integrity awareness and encourage them to update relevant knowledge in a timely manner. At the same time, the Company arranges from time to time professional trainings hosted by China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange for directors. The Company provides all directors with relevant materials on regulatory updates, industry news and director responsibility on a regular basis, and encourages and supports the directors to participate in courses and lectures organized by professional organizations.

During the Year, all members of the Board participated in the professional trainings on anti-corruption, compliance, and risk management provided by a professional organization, reaching a training coverage of 100%. The trainings have increased the Company's directors' awareness of risk management, compliance risk prevention, and anti-corruption.

Case: Business ethics training

In August 2023, the Company conducted business ethics training for all employees of the Group in both online and offline forms. This training covered three major modules: business ethics and criminal compliance, protection of trade secrets, and compliance in promotion and advertising. During the training, we elaborately clarified the requirements of business ethics guidelines and legal compliance to raise awareness among employees about the importance of adhering to business ethics and compliance. The training strengthened employees' understanding of defining and setting boundaries for trade secrets, contributing to the creation of a good workplace environment that upholds business ethics.

Case: Anti-corruption and risk management training provided for directors

In November 2023, the Company organized all members of the Board to participate in a thematic training on anti-corruption and risk management. Combining regulatory explanations with case studies, the training provided directors with a detailed and vivid education on multiple topics, including anti-corruption laws, anti-corruption governance, compliance construction, risk response, and improper market conduct. By analyzing various cases of corruption, bribery, and embezzlement, the training disseminated to directors their duties of loyalty and diligence and offered them compliance and risk management recommendations for the enterprise.

5.1 BUSINESS ETHICS *(continued)*

5.1.2 Whistleblower protection

To effectively promote the development of integrity within the Group, Livzon has established a regular whistleblowing and complaint management mechanism, and formulated and improved the Administrative Measures for Whistleblowing and Complaint. The Audit Committee under the Board acts as the Group's acceptance center for whistleblowing and complaints, and is responsible for handling whistleblowing and complaints within the Group, including the acceptance of whistleblowing and complaints, recording, reporting, investigating and follow-up of reported violations of discipline and regulations. Appointed by the Audit Committee as its executive body, the risk management head office is responsible for the specific implementation of whistleblowing and complaint acceptance and reports directly to the Audit Committee on a regular basis, ensuring the independence and objectivity in the handling and inspection of whistleblowing.

We accept both anonymous and real-name whistleblowing and maintain clear channels of supervision and whistleblowing and complaints within the Group. We accept and encourage whistleblowing on corruption, bribery, fraud, breach of the Group's regulations, and any suspected violations of laws and regulations from all employees, suppliers, customers, contractors, business partners and any other parties who have business relationship with the Group.

We firmly protect the legal rights and interests of whistleblowers, and require the department responsible for handling whistleblowing to keep the information of whistleblowers strictly confidential without disclosure of the personal information of whistleblowers and the handling of whistleblowing to the person being reported or personnel not relevant to the whistleblowing work. We keep the personal information and whistleblowing content strictly confidential in the process of acceptance, registration, custody and investigation. We complete the investigation and provide written investigation report in 30 working days, and continuously follow up subsequent handling. For any violation of the regulation by disclosing information of whistleblower, the Company shall impose penalties such as position transfer, salary deduction and demotion, and transfer to judicial organs, in accordance with the seriousness of the circumstances.

We strictly prohibit retaliation against whistleblowers and will hold relevant personnel and immediate leaders responsible if such violation occurs. We will also provide necessary legal assistance to whistleblowers. For behaviors that seriously jeopardize the rights and interests of whistleblowers, we will immediately report to judicial organs for investigating their criminal responsibilities according to the law so as to achieve the maximum protection for whistleblowers and complainants.

5.1 BUSINESS ETHICS *(continued)*

5.1.2 Whistleblower protection *(continued)*

Summary of the Administrative Measures for Whistleblowing and Complaint

The Administrative Measures for Whistleblowing and Complaint specifies that all employees of the Group and all clients, suppliers, service providers, contractors and other relevant personnel that have business relationship with the Group shall be entitled to report and complain any violation of discipline and law, fraud behavior or misconduct within the Group.

The Administrative Measures for Whistleblowing and Complaint provides full protection for the rights and interests of whistleblowers and specifies that no entity or individual shall retaliate against whistleblowers and complainants in any form, which, once verified, shall be seriously dealt with in accordance with relevant provisions, and shall be transferred to judicial organs for investigating criminal responsibilities according to the law if such behaviors constitute crimes.

The whistleblowing management department shall complete investigation in 30 working days and issue a written investigation report. After the investigation and handling of the whistleblowing, the department shall inform the whistleblower of the handling results in written form in 5 working days, ensuring the whistleblower's right to know.

Both anonymous and real-name whistleblowing are accepted. Whistleblowing and complaint can be made by letters, telephone, WeChat message, intranet mailbox, e-mail, visits, and other means. The whistleblowers' legal rights and interests are fully protected. The Company has set up a supervision and whistleblowing column on its official website (https://www.livzon.com.cn/news/191.html), which published the name of the contact person, telephone number, mobile phone number, internal and external emails, and address for whistleblowing and complaint.

Channels of whistleblowing and complaints

Tel.: 0756-8135383, 0756-8135948

Mobile Phone: 18666123020

E-mail: wangwei@livzon.cn, xudan01@livzon.cn

Address: Risk Management Head Office of Livzon Pharmaceutical Group Inc., Chuangye North Road No.38, Zhuhai City, Guangdong Province

5.1 BUSINESS ETHICS *(continued)*

5.1.3 Clinical ethics

Implementing the responsibilities as a sponsor (i.e. the Group), Livzon puts first the interests and safety of subjects in drug clinical trials and conducts clinical trials based on the most stringent laws and regulations, ethical principles and scientific research standards at home and abroad, including but not limited to the World Medical Association Declaration of Helsinki, the Civil Code of the PRC, the Drug Administration Law of the PRC, the Vaccine Administration Law of the PRC, the Provisions for Drug Registration, and the Good Clinical Practice. We have established Clinical Quality Management System (cQMS) covering the full process of clinical trials. The clinical research management center and the quality management head office of the Company and third-party institutions perform continuous monitoring, audits and feedbacks on the risks of clinical trials.

We attach great importance to the subjects' right to know and protect their rights and interests through ethical review and informed consent. Subject to national and regional laws and regulations, the ethics committee conducts independent ethical review of the Group's clinical trial projects, and accepts the guidance and supervision of the health administrative agencies and drug regulatory agencies.

The Group's drug clinical trials are conducted in strict compliance with the Good Clinical Practice, which requires sponsors to protect the interests and safety of subjects as a basic consideration in clinical trials. We require all drug clinical trials to obtain the notice of approval for clinical trial or implied permission, develop clear, detailed, and practical clinical trial protocols and work plans, and set clear provisions for tracing original data, frequency and requirements of inspections, accompanied inspections, third-party audits, etc. We have clinical trials examined by the institutional review board, ethics committee and data privacy committee and ensure all subjects sign the informed consent forms. Our comprehensive and stringent review and regulatory mechanism for the entire clinical trial process demonstrates the high regard the Group places on the ethical and legal compliance of clinical trials and ensures the transparency, credibility, and subject safety for clinical research.

We have established the Workflow for Protection of Drug Clinical Trial Data to strictly secure personal information and privacy of subjects and have implemented strict data encryption and secure storage measures to ensure no unauthorized access and misuse of subject's data and carefully prevent harms and risks from disclosure of subject's private information:

- We obtain the subjects' informed consent before using the subjects' information for research and scientific analysis.
- We have developed sound data usage regulations and processes, clarifying the purpose, scope, and permissions for data usage, ensuring that only authorized personnel can access subject's data.
- All paper or electronic materials from clinical trials must be properly recorded, handled, and preserved to enable accurate reporting, interpretation, and confirmation, to ensure the privacy of subjects and the confidentiality of their related information.

5.1 BUSINESS ETHICS *(continued)*

5.1.3 Clinical ethics *(continued)*

- We effectively guarantee the confidentiality of research project data through techniques such as anonymization or coding. Subject related information (such as identity, disease, and biological sample) is masked before it is provided only to trial participants who have a need to acquire part of the information.

- All clinical research data are managed by dedicated personnel and stored confidentially. Any clinical trial data that leaves the data storage facilities of the research site or clinical trial results published shall not contain personal information of the subjects.

- In the process of data transmission and processing, advanced encryption technologies and security measures are employed to ensure the safety of data transmission and storage.

With regard to the ethics of animal experimentation, we strictly adhere to relevant regulations such as the Regulations for the Administration of Affairs Concerning Laboratory Animals, the Guidance Suggestions for the Care and Use of Laboratory Animals, and the Biosecurity Law of the PRC. We have established relevant systems for regulating the management of laboratory animals and laboratories, especially concerning animal welfare ethics in feed, drinking water, bedding, quarantine, infectious disease control, etc. We have developed the Procedures for Laboratory Animal Ethics Management to regulate laboratory animal operations and effectively protect the welfare of laboratory animals.

Before conducting animal experiments, we have ethical approval for the animal experiment protocols and strictly conduct experiments within the scope of the protocols. Ethical review for laboratory animals includes providing a good breeding and standardized living environment, ethical treatment of animals, preventing or minimizing animals' stress, pain, and injury, and respecting animal lives.

We safeguard animal welfare in accordance with the law, ensure biosecurity, and prevent environmental pollution. As the Group's key organization for the ethical review of laboratory animals, the laboratory animal use and management committee is responsible for reviewing and approving animal experiments related to research:

- Among the matters reviewed by the committee are the rationality of the experimental design, the conformity of the facility environment, the degree of injury to the animals, the establishment of humane endpoints, the necessity and method of euthanasia, etc.

- The committee encourages the research and application of alternative methods for animal experiments and minimizes the use of animals.

- The committee requires the use of laboratory animals, laboratory facilities and equipment, feed, cages and other related products that meet appropriate grade standards in the experiments and to protect the welfare of laboratory animals through a variety of measures.

5.1 BUSINESS ETHICS *(continued)*

5.1.3 Clinical ethics *(continued)*

Measures to ensure the welfare of laboratory animals

- ✓ Allow laboratory animals to live comfortably and freely by offering good environments and care, sufficient food, water, appropriate temperature and humidity, and other conditions.
- ✓ Regularly check the health status of animals and provide necessary medical care by laboratory personnel.
- ✓ All personnel involved in animal experiments receive relevant training and education on the principles of animal ethics and standard experimental operations.
- ✓ Minimize the discomfort and pain of laboratory animals without compromising the experiment.
- ✓ Appropriately dispose of animals after experiments to avoid unnecessary suffering and death.

5.1.4 Responsible marketing

Responsible marketing system

Sales and marketing activities conducted by the Group in any form must comply with all applicable laws, regulations, and industry guidelines of its operations, including but not limited to the Drug Administration Law of the PRC, the Anti-Unfair Competition Law of the PRC, the Advertising Law of the PRC, the Administrative Measures for Medical Advertisements, the Measures for Drug Advertisement Review, the Notice on the Standard Use of Drug Names in Drug Advertisements, the Personal Information Protection Law of the PRC, the General Data Protection Regulations (GDPR), and the Provisions for Supervision and Administration of Online Medical Device Sales. They should also comply with the sales, marketing, and advertising regulations established within the Group.

At the same time, the Group has established policies of responsible marketing, including the Responsible Marketing Policy of Livzon Group, the Code of Conduct for Sales Personnel of Livzon Group, the Responsible Marketing Policy of the Sales Center of API Business Department, the Packaging Design and Verification Workflow for Overseas Sales of Drug Preparations, the Anti-Corruption Code of Conduct in the Marketing System, the Code of Conduct for Interaction with Healthcare Professionals, and the Administrative Regulations on Meetings Related to Healthcare Professionals. These regulations are intended to manage and regulate marketing behaviors of all employees of the Group, including employees at overseas offices, part-time employees, and temporary employees, ensuring that the marketing activities comply with the laws and regulations.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Responsible marketing *(continued)*

Responsible marketing system *(continued)*

Summary of the Responsible Marketing Policy of Livzon Group

The Policy applies to the Group and all of its employees (including permanent employees, part-time employees, and temporary employees). All units within the Group shall fully abide by the Policy while making their internal marketing systems.

Sales and marketing activities conducted by the Group in any form must be truthful, accurate, and compliant in terms of content, methods, related materials, etc., specifically including:

1. Establishing strict review and supervision mechanisms, requiring external and internal reviews and approvals and continuous supervision.
2. Requiring promotions on clinical efficacy to be based on data from published journal articles, ensuring true, accurate, and compliant content.
3. Strictly prohibiting content that is exaggerated, misleading, deceptive, or false.
4. Strictly prohibiting interference with or influence over the rational clinical medication.
5. Strictly prohibiting the concealment of known product risks such as adverse reactions, and ensuring timely, truthful, and accurate feedback.
6. Maintaining honesty and integrity and participating fairly in competition.
7. Ensuring consistency of information across different channels.
8. Maintaining good business ethics in interactions with customers and medical professionals, strictly prohibiting the use of commercial bribery or other unlawful means for sales and marketing activities.
9. Rigorously protecting customer privacy, refraining from disclosing customer privacy and information without their knowledge and consent.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Responsible marketing *(continued)*

Responsible marketing system *(continued)*

To ensure the compliance of various marketing efforts with laws and regulations, all our publicity activities shall follow national regulations for advertisement approval and filing, and shall not be conducted until the approval is obtained. We have also established strict review mechanisms, prohibiting exaggerated, deceptive and false information in any form of marketing activities (including marketing content, marketing methods and related marketing materials) and requiring them to be reviewed and approved by the authorized management of the Company and promotions on relevant clinical efficacy to be based on data from published journal articles, ensuring true and compliant content.

During the Year, the Group received no complaints or legal proceedings on misleading or deceptive promotion information.

Case: Responsible packaging for overseas sales

The overseas sales of the Group's preparation products begin with designing packaging to meet the different requirements of social responsibility in different countries and regions. The size and text of the primary and secondary packaging (labels, boxes, package inserts, and cartons) of our drug preparations are adapted to the laws and customs of different countries to design pharmaceutical packaging that meets the requirements of these countries and bears multiple languages, ensuring that the contents of the packaging can be conveniently identified and used by people in different countries. For example, product sales prices are clearly displayed on boxes of products in Pakistan, QR codes are displayed on boxes of products in the Central Asian market, product registration number and sales prices are clearly displayed on boxes of products in the Indonesian market, and different languages are used in product packaging design for different countries.

During the Year, the packaging design drafted by LivzonBio for Recombinant Human Choriogonadotropin alfa for Injection in Indonesia was revised and reviewed by LivzonBio, Pharmaceutical Factory, Indonesian customers, and the Company's international cooperation department of drug preparation. The final packaging design was completed and submitted to Badan Pengawas Obat dan Makanan (BPOM) for approval, which was ultimately officially approved.

Moreover, in accordance with Resolution No. 149 of the Cabinet of Ministers of the Republic of Uzbekistan, "On the introduction of a system of mandatory digital labeling of medicines and medical devices", we engaged multiple times throughout the Year with our Uzbek partners to discuss the new regulations and their implementation strategies. We formulated the "Procedure for the Procurement and Usage of Boxes for Products Exported to Uzbekistan" to ensure the legal and compliant marketing activities for both export and import.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Responsible marketing *(continued)*

Audit on responsible marketing

At the headquarters level, to effectively monitor the compliance of the Group's marketing activities and strengthen internal control audits of risks, the Company established a compliance management head office. While the subsidiaries conduct regular self-inspections, the compliance management head office performs audits on the standardized management of business of the Group on an annual basis, such as the implementation of responsible marketing policies, sales processes, and signing of sales contracts. This ensures the strict compliance of sales business with all regulations and systems of compliant operation, and prevents illegal or unethical business practices. To strengthen compliance management in the product sales process and further improve the level of responsible marketing management within the Group, the compliance management head office has a compliant marketing center tasked with developing policies related to sales management and compliant payment; it also has a legal affairs supervision center tasked with investigating and handling marketing violations.

At the level of each sales area, all of the Group's sales segments (preparation products, APIs and intermediates, diagnostic reagents and equipment) are subject to systematic audit on responsible marketing at least once a year, covering all sales businesses of the Group.

The content of the audits on responsible marketing includes the compliance of sales force with the Group's responsible marketing policies and systems, marketing compliance, prohibition of false advertising, honest dealings with customers, the consistency of sold product packaging with official approvals, etc. For the issues identified in the audits, we will supervise the units concerned for timely correction, and improve relevant policies and systems. For violations, we will circulate a notice of criticism and punish the violators concerned according to the nature and severity of the circumstances (such as deducting points from the annual performance appraisal, cutting bonuses, etc.). We will also have a monthly work summary of responsible marketing activities and open an internal feedback channel for the marketing system, which will contribute to improved customer satisfaction.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Responsible marketing *(continued)*

Audit on responsible marketing *(continued)*

Case: Audits on responsible marketing

- **Audit on third-party service providers**

  During the Reporting Period, the Company, aligning with the latest review directions of the industry for 2023, conducted responsible marketing audits in both online and offline forms on third-party service providers the Company collaborated with in 2023. Through the audit work in the Year, we effectively regulated the proper and compliant cooperation business of service providers and played an effective and powerful role in monitoring service providers. In accordance with the monitoring requirements of the Company's Administrative Measures for Cooperative Service Providers, we also issued notices of correction to service providers who failed the audit; we suspended further cooperation with service providers who did not cooperate in the audit work or failed the correction review or had other problems.

- **Audit on distributors**

  Selecting compliant partners is an important part of responsible marketing to ensure that all entities in the entire business chain are operating responsibly, thereby further ensuring that business operations are conducted responsibly.

  The audit on distributors by Livzon Diagnostics mainly includes: whether they have a good business reputation, whether they have any incident of unfair competition, whether they are included in the list of serious illegal and dishonest acts, whether they are included in the list of abnormal operations, etc.

  During the Year, Livzon Diagnostics conducted responsible marketing audits on 96 distributors. The audits revealed that 11 enterprises had been involved in the above matters in the history of their operations, leading Livzon Diagnostics to terminate its cooperation with these distributors.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Responsible marketing *(continued)*

Responsible marketing training

We conduct responsible marketing trainings for all employees of the Group at least once a year, which cover relevant laws and regulations on responsible marketing, rules and regulations of the Company, product knowledge, promotional norms, compliant marketing, notifications of non-compliance cases, etc. We use a mix of online and offline trainings. This allows every employee to understand and strictly abide by the Company's regulations on marketing, advertising and sales, including no exaggerated, deceptive or false information in any marketing activities, using no commercial bribery or other unlawful means in sales activities, reporting no false information on products, services and prices, making no false or misleading statements on the products or services of the Company's competitors, and protecting the Group's business secrets and customers' privacy.

During the Year, the Group's trainings on responsible marketing covered all (100%) of the Group's employees.

We established training courses in scope and depth on responsible marketing for employees to ensure that each of them could fully understand the concept of responsible marketing. In the process of designing responsible marketing training courses, we fully considered the work characteristics of the Group's employees in various positions and the fast-paced evolution of the market, and designed different responsible marketing courses for employees in different businesses, including Internet marketing, we-media marketing, sales management, marketing strategy, and copywriting. This ensured the relevance, diversity, and effectiveness of our training courses.

At the same time, we regularly updated the course content according to the market development situation, considering the latest marketing cases to ensure its timeliness. Highlight courses of responsible marketing training from some business departments include: Drug Sales Promotion Compliance Training, Corporate Responsible Marketing, Strategic Marketing Planning and Management, Business Ethics and Anti-Corruption, Internet Marketing, etc.

Case: Responsible marketing training for all employees of the Group

In March 2023, the Company conducted responsible marketing training for all employees of the Group in both online and offline forms. This training revolved around topics such as "the definition of responsible marketing", "the significance of responsible marketing", and "how to market responsibly". The content covered corporate responsibilities to consumers, society, competitors, among others. The training advocated that while pursing lawful profits during marketing process, enterprises must actively fulfill their social responsibilities and practice responsible marketing, thereby deepening the understanding of responsible marketing knowledge among all employees.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Responsible marketing *(continued)*

Responsible marketing training *(continued)*

Case: Responsible marketing trainings conducted for sales segments

In September 2023, the Company's marketing head office held over 30 sessions of responsible marketing trainings for all employees in sales positions within the Group. The topics covered laws and regulations related to responsible marketing, corporate policies and systems for responsible marketing, compliant marketing, notifications of non-compliance cases, etc. Through these trainings, the awareness and skills of the Group's sales team in responsible marketing were further improved, establishing a solid foundation for the professionalism and standardization of the Group's marketing practices.

Case: Responsible marketing trainings conducted for 2 major sales areas

In March 2023, the Company's API sales center conducted responsible marketing trainings for all its employees, from which the employees learned the significance of responsible marketing and how to market responsibly. These trainings enhanced the consensus among all employees regarding implementing responsible marketing and actively fulfilling social responsibilities, thereby further improving the compliance and professionalism of the sales team.

In 2023, Livzon Diagnostics conducted extensive responsible marketing trainings for all its employees, including compliance training for new hires and annual centralized training for existing staff. These trainings have been effective in raising employees' awareness of compliant marketing, regulating that employees should comply with the Company's relevant policies, relevant laws, regulations, and business ethics when advertising, marketing, and promoting the Company's products or services to ensure that marketing content is authentic, accurate, and complete without misleading or deceiving consumers through false and exaggerated advertising, and to ensure that customer privacy should not be used and disclosed without the customer's knowledge and consent.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Responsible marketing *(continued)*

Responsible marketing training *(continued)*

Case: Responsible marketing trainings for overseas sales

During the Year, we organized trainings on the packaging design and verification workflow for overseas sales of drug preparations for all business personnel in the international department and overseas registration sales contacts of subsidiaries. These trainings aimed to ensure that the packaging requirements and design of our drug preparations sold overseas meet the regulatory requirements of different foreign countries, thus implementing honest marketing. These trainings covered packaging for overseas sales (including, but not limited to, drug labels, aluminum foils and tubes, boxes, middle boxes, cartons, and package inserts), workflow, responsible parties, and packaging change requirements. The aim was to strengthen the concept of responsible marketing for the Group's overseas preparations from the design source.

Case: Subsidiaries conducted responsible marketing trainings

During the Year, Livzon Hecheng conducted responsible marketing trainings with rich topics for all its employees through a combination of online videos and offline sessions. The training courses elaborated from different dimensions on the concept of responsible marketing, its significance, and the responsibilities of corporate marketing towards various stakeholders, offering a systematic and thorough interpretation of the trends and importance of responsible marketing. The total training duration reached 551 hours.

These trainings have been effective in strengthening employees' awareness of compliant marketing, regulating that employees should comply with the Company's relevant policies, relevant laws, regulations, and business ethics when advertising, marketing, and promoting the Company's products or services to ensure that marketing content is authentic, accurate, and complete.

5.2 DATA SECURITY AND PRIVACY PROTECTION

Livzon regards protection of data security and privacy as an important responsibility for corporate operations. The ESG Committee under the Board is responsible for overseeing the Group's data security and privacy protection matters and is directly reported to by the Company's information head office. The information head office regularly prepares an information risk assessment report based on the performance on information security management in the current year and submits it to the ESG Committee for review and approval.

At the policy level, we have established information security and data protection policies, such as the Provisions of Document Encryption, the Standards of Vulnerability Management, the Standards of Password Management, the Standards of Special Account Management, the Standards of E-mail System Intrusion Analysis and Emergency Response, the Standards of Internet Security Management, and the Administrative Regulations on Network Access. These regulations are aimed to comprehensively govern the data protection and information security work in all business lines of the Group, and fully secure the information and private data of all stakeholders.

At the same time, we entrust third-party independent institutions every year to conduct an annual audit of the Group's information systems and information security policies to achieve comprehensive identification and assessment of relevant risks. We actively take corrective actions and make improvements based on the audit results, and continue to improve the risk prevention system of the Group's information and data security.

5.2 DATA SECURITY AND PRIVACY PROTECTION *(continued)*

We take proactive measures to continuously carry out information security maintenance and improvement in four dimensions, namely computer security, network security, data security and hardware equipment, while deploying reactive protection measures such as situational awareness platform, firewall, intrusion prevention system and vulnerability scanning system. In this way, we strive to minimize the likelihood of information security incidents such as data breach.

Livzon continuously improves both proactive and reactive measures for privacy and data security and for incident response plan of data breach:

- In terms of proactive measures, we proactively conduct vulnerability detection for the business system on a regular basis to ensure the implementation of appropriate proactive protection strategies against every new hazard incident identified, and further enhance the ability of the business system to defend itself against external attacks. At the same time, we directly consult and provide targeted trainings to the general managers of each functional department at the headquarters and of each subsidiary to ensure that data security and privacy protection are effectively managed by the Group's management. Regarding information security awareness, we proactively distribute information security bulletins on a monthly basis and distribute information security alerts from time to time, and provide regular trainings and awareness campaigns for our employees to enhance their ability to identify data security incidents and awareness to prevent them.

- In terms of reactive measures, the Company has established the Information System Operation and Maintenance Management System, Information System Management System, Emergency Response Management System, and Incident Response Plan of Data Breach, to improve the mechanisms and procedures for emergency responses to data security incidents. In the event of a suspected data breach, our emergency response team will immediately verify the incident, judge the scope of the data breach and the affected systems, report the situation to the emergency response leadership team and suspend related data access, notify the affected user groups, and make announcements as required by relevant laws and regulations. Simultaneously, our emergency response team will evaluate the affected systems, data, and devices, investigate logs for root cause analysis, and preserve relevant evidence; inform affected users of the results of handling, restore the affected systems and devices; and reinforce and upgrade based on identified vulnerabilities to prevent similar attacks to the systems from recurring.

During the Reporting Period, the Group had no incidents of data breach and was not involved in any lawsuits on information and data security against the Group or its employees.

5.2 DATA SECURITY AND PRIVACY PROTECTION *(continued)*

Information security protection measures of Livzon

Computer Security

- Unified deployment of enterprise-level anti-virus software, terminal security management system, network access management system and automatic update service (WSUS) patch server.

Network Security

- Provision of firewall, intrusion prevention system, situational awareness platform, F5 load balancer, Internet behavior management, and other security equipment and measures;
- Engagement of third-party companies to perform vulnerability detection, and implementation of appropriate treatment based on the risks identified.

Data Security

- Deployment of encryption management system on data terminals, implementation of security measures such as storage snapshots and remote disaster recovery for data centers, and regular system recovery tests to guarantee the availability, reliability and recoverability of data;
- Purchase of new backup devices to bolster the security of data backup management;
- Deployment of the bastion host management system to enable permission management and code approval for administrators' operations in the background of the information system background, and also record information administrators' background operations.

Hardware Equipment

- Regular inspection, and prompt reporting and follow-up resolutions of problems found. Establishment of power supply and environmental monitoring system to detect in real time the status of physical environment such as UPS power supply, indoor temperature and humidity, lighting, fire-fighting equipment, and new air conditioner.

We regularly conduct data security and privacy protection trainings for all of the Group's employees and contractors, and regularly conduct special trainings on information security management for information security management personnel, so as to continuously improve the management quality and management level of relevant business personnel. Meanwhile, we also include information security trainings in the onboarding training system of new employees and regularly organize information security trainings. In addition, we also push messages from time to time on high risks of information security and protection measures and safety protection knowledge of daily work through our internal website, to reduce information security risks caused by employees' lack of safety awareness and improve employees' information security awareness.

5.2 DATA SECURITY AND PRIVACY PROTECTION *(continued)*

During the Year, we conducted trainings on data security and privacy protection for all employees and contractors of the Group, reaching a training coverage of 100%. We also regularly promoted and disseminated information security knowledge throughout the Group to continuously improve the information security and privacy protection awareness of employees and contractors.

Case: Data security and privacy protection trainings

- In July 2023, the Company engaged all employees of the Group in the study during the China Cybersecurity Week through a combination of online and offline methods. These trainings covered topics including cybersecurity incidents, AI scams, recommendation for information security precautions, account and password security, Internet safety measures, email security, software security, data security, and personal privacy protection. They aimed to enhance the sense of responsibility for privacy protection and information security among all employees, regulate the daily data security management practices within the enterprise, and prevent the occurrence of cybersecurity incidents.

- In July 2023, we engaged the Group's fresh graduates in learning the method of using the BPM system and developing information security awareness in an offline form. The training covered the use of the BPM system, precautions for sending and receiving emails, identification and disposal of spam and phishing emails, measures for securing personal information, etc., to foster a sense of information security protection among new recruits and improve the overall data security protection level of the Group. The employee satisfaction rate for this training reached 95.6%.

5.3 INTELLECTUAL PROPERTY RIGHTS PROTECTION

Regarding intellectual property protection as a priority, Livzon extensively explores the innovative technologies for various key products, actively carries out patent application and maintenance, plans and builds a patent network, and always prevents the risk of patent infringement. We strictly abide by the Patent Law of the PRC, the Trademark Law of the PRC, the Implementation Measures for Early Settlement Mechanism of Drug Patent Disputes (Interim), Provisions on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Patent Disputes Related to Drugs of Which Applications for Registration are Filed and the latest provisions of other related laws and regulations.

We have formulated and strictly implemented the Patent Workflow and Trademark Management System, which strictly regulates the work in the aspects of patent risk assessment before product project establishment, patent transformation of R&D achievements, patent risk response for listed products, review of articles before publication, etc., and provides in detail the workflow of new patent application, maintenance, transfer, purchase, technology financing, technology patent retrieval, infringement litigation, invalidity response, etc., to make the management of patent acquisition, maintenance, application and protection more scientific, planned and standardized.

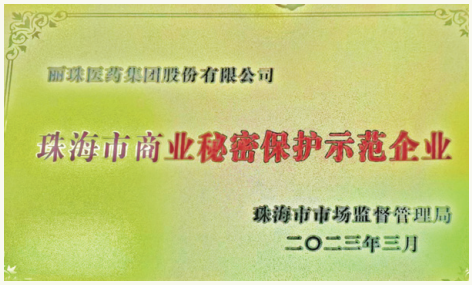
The Group is actively engaged in patent mining, application drafting and filing to promptly transform the Group's scientific research achievements into intellectual property rights, and conducts maintenance work for applied patents as required by the notice from China National Intellectual Property Administration. At the same time, the legal compliance head office of the Company keeps close communication with our research teams to extensively explore the innovative technologies for various key products and further promote the planning and building of a patent network for Livzon's key products.

5.3 INTELLECTUAL PROPERTY RIGHTS PROTECTION *(continued)*

Intellectual property rights related awards and certifications

Guangdong Intellectual Property Protection Center – Patent Pre-examination Service Station

Outstanding Intellectual Property Unit of 2023



Zhuhai City Model Enterprise for Trade Secret Protection

“贝依”and“瑞必乐”included in the Key Trademarks Protection List

5.3 INTELLECTUAL PROPERTY RIGHTS PROTECTION *(continued)*

To prevent the risk of patent infringement, the Company actively follows up the development of the projects under research and cooperated with the R&D department, business development ("BD") department and other departments to conduct patent risk evaluation in a timely manner, provide reference for assessment of patent infringement risk, take relevant measures such as patent evasion or invalidation according to the evaluation results, and resolve patent-related risks.

We conduct intellectual property trainings and exchange activities regularly, including guidance of intellectual property experts on laws and regulations of intellectual property rights as well as explanation and sharing of R&D personnel on related cases of pharmaceutical patent invalidation. We aim to deepen the awareness of intellectual property rights and patent protection among R&D and compliance personnel, and enhanced the overall level of intellectual property management and patent protection of the Group.

Case: Trainings and exchanges on intellectual property rights

- In 2023, the legal compliance head office of the Company invited lawyers and related experts to provide thematic trainings on the basics and application of pharmaceutical intellectual property rights to the relevant departments of the Group. These thematic trainings strengthened the understanding and application of pharmaceutical intellectual property rights among the employees of the relevant departments, which facilitated smoother operations in investment, project establishment, and patent protection within the Group.

- In 2023, the legal compliance head office of the Company engaged employees of the IP department in the China Pharma Intellectual Property Summit 2023 to learn about the latest patent law rules and patent examination guidelines. This exchange event improved the skills of our patent personnel, kept them informed of the latest trends in the patent industry, and contributed to the high-quality development of the Group's patent work.

5.4 PARTY BUILDING ACTIVITIES

As at the end of the Reporting Period, Livzon had a total of 632 Party members, including 400 Party members in Zhuhai headquarters, 232 Party members in the Company's subsidiaries outside Zhuhai City, 11 Party branches directly under the Zhuhai Party Committee, and 7 Party organizations of the Company's subsidiaries outside Zhuhai City.

During the Reporting Period, with the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company's Party committee organized in-depth study of the spirits of the Report to the 20th National Congress of the Communist Party of China, the Constitution of the Communist Party of China, and other important documents. The Company's Party committee conducted a series of Party building activities, including thematic education activities, competition of credits earned on the Study and Strengthen Nation app, joint Party building activities with the Zhuhai Intermediate People's Court, and Party members' trips to Chongqing and Yan'an for learning and education interactions. These activities aimed to motivate Party members to study, educate them to keep pace with the times, and work hard for the Company's development.

5.4 PARTY BUILDING ACTIVITIES *(continued)*

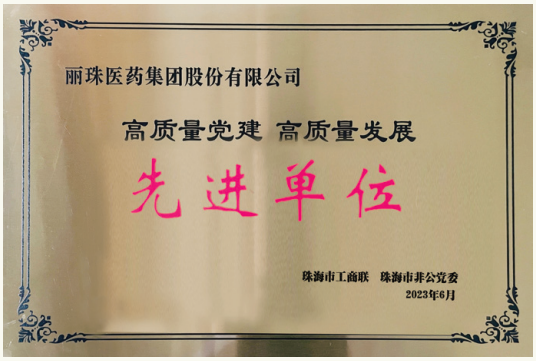
Case: Learning and education activity for Party members themed "Drawing Strength from the Revolutionary Heritages to Support High-Quality Development of the Company"

In May 2023, to deeply study and implement the spirit of the 20th National Congress of the Communist Party of China and the important speech delivered by General Secretary Xi Jinping when paying tribute to the Yan'an Revolutionary Memorial Site, the Party committee of the Company organized representatives of Party members from different branches to visit Chongqing and Yan'an for the learning and education activity for Party members themed "Drawing Strength from the Revolutionary Heritages to Support High-Quality Development of the Company". The Party committee organized representatives of Party members from different branches to visit historical sites of the Red Revolution, with the aim of sustaining the Party's revolutionary legacy, carrying forward the spirit of hard work of revolutionaries of the older generation, and creating a better life through persistent efforts.

Case: Joint Party building activities

In June 2023, the Party committee of the Company carried out joint Party building activities with the Zhuhai Intermediate People's Court, aiming to strengthen communication between the Party organizations of the Company and government institutions and jointly explore a new chapter of high-quality development through joint Party-building activities.

Case: Party building award



In 2023, the Company was honored with the title of "Advanced Unit for High-Quality Party Building and High-Quality Development in Zhuhai".

6

ACCESS TO HEALTHCARE

Always true to the corporate vision of "becoming a leader in the pharmaceutical industry", Livzon continues to focus on unmet clinical needs and regards R&D innovation as the foundation for the Group's sustainable development. Upon taking full account of medical needs in Chinese and overseas pharmaceutical markets, Livzon establishes clear and abundant product R&D pipelines and develops differentiated global deployment strategy, striving to protect lives and health.

The Board of the Company represents the highest authority for Access to Healthcare issues, and oversees the implementation of Access to Healthcare related work through the ESG Committee. The ESG Committee is responsible for regularly reviewing Livzon's strategies, policies and performance on Access to Healthcare issues on an annual basis, and reporting on the progress of the issues to the Board to ensure consistency with Livzon's mission. We are committed to providing global patients with more equitable and accessible products and services.

Regarding promotion of access to healthcare and public health interests as an important operation mission, Livzon supports provisions in The Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health and the Patent Law of the PRC related to granting compulsory licensing on relevant drug patents for public interest purposes or in emergency situations.

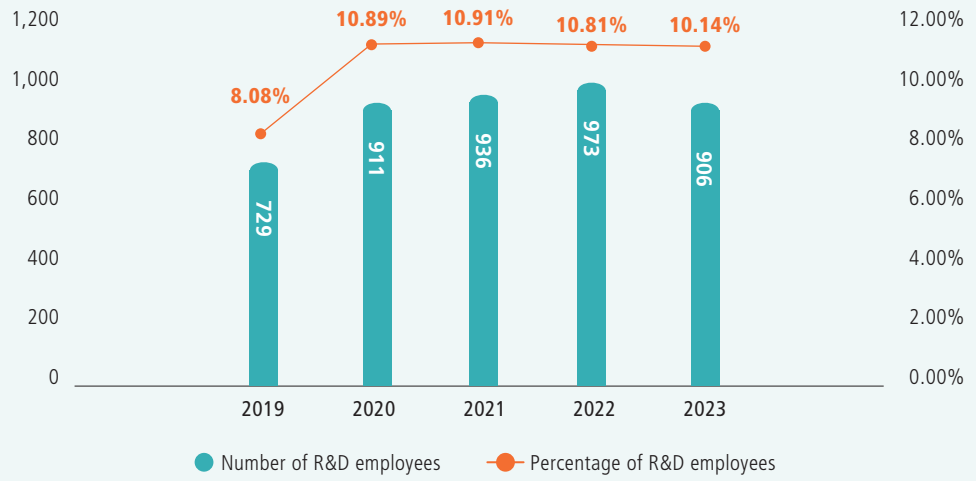
We fully support reasonable generic competition. At the same time, with regard to least developed countries and low-income countries with actual needs, we will consider selecting appropriate third-parties on appropriate terms and conditions, reaching voluntary licensing agreements, to produce relevant drugs and import them to these regions, so as to improve the well-being of the local people. In light of the current operation environment, lobbying on compulsory licensing and trade imports is not applicable to Livzon for now.

6.1 R&D INNOVATION

Regarding R&D and innovation as the cornerstone of sustainability, Livzon continued to pay attention to new chemical entities and cutting-edge technologies in the field of global pharmaceutical R&D, made layout of innovative drugs and high-barrier complex preparations based on clinical value and differentiated prospect, and focused on gastroenterology, psychiatry, assisted reproduction, anti-tumor and other fields, and continuously developed and formed a differentiated product pipeline covering the entire R&D lifecycle.

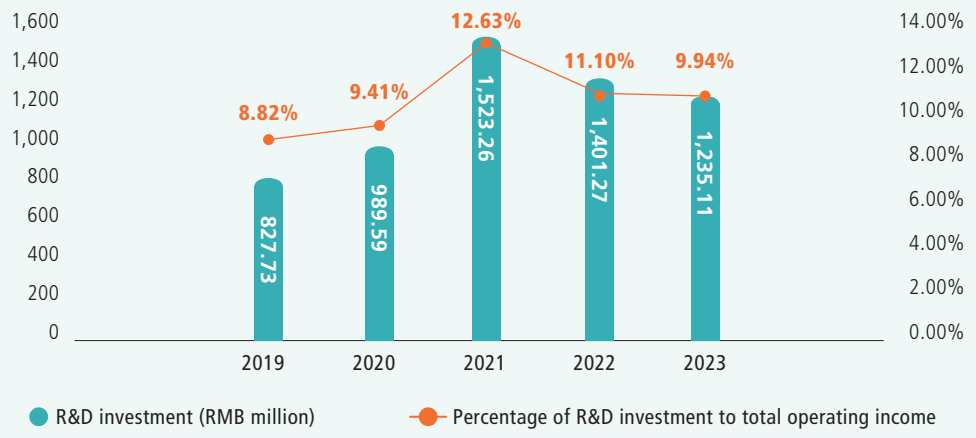
In 2023, Livzon had 906 R&D employees, accounting for 10.14% of the total number of employees, indicating a basically stable R&D team size.

Number and Percentage of Livzon's R&D Employees from 2019 to 2023



During the Year, Livzon's total expenditure relating to R&D amounted to RMB1,235.11 million, among which capitalized R&D investment accounted for 14.52% of total R&D investment, and R&D investment accounted for 9.94% of the Group's total operating income for the Year.

Livzon's R&D Investment and Percentage to Total Operating Income from 2019 to 2023



6.1 R&D INNOVATION *(continued)*

Clinical needs oriented

We take a "clinical value-oriented" approach to the layout of innovative drugs, with a focus on optimizing the current clinical drug resistance and existing therapeutic regimens. We aim to discover potential new chemical entities and are committed to addressing unmet clinical needs of patients and improving existing diagnostic and treatment regimens to meet the diverse drug needs of patients.

In addition to innovative drugs, the Group also places great emphasis on modified preparations and generic drugs that are in urgent demand in the market. We have made layout of high-barrier complex preparations such as microspheres and microcrystals in our advantageous areas, and constantly improved various technology platforms and optimized product pipelines to enhance the convenience of medication, optimize treatment regimens, and increase patient satisfaction with medication.

- Our microsphere preparation products feature low dosing frequency, more stable plasma concentration, more outstanding therapeutic effect, and low toxicity; they can effectively improve drug stability and patient compliance, and at the same time mitigate patients' pain and burden of medical treatment;

- Our Ilaprazole Tablets of Enteric-Coated Pellets (艾普拉唑微丸腸溶片) dismantled overseas technology monopolies on enteric coated pellets and filled the technology gaps in China; a multi-capsule drug delivery system is creatively adopted to improve drug absorption and ensure uniform absorption per dose, thereby greatly improving bioavailability. In addition, one dose of the Ilaprazole Tablets of Enteric-Coated Pellets can be administered in multiple routes: either by nasal feeding or splitting to meet the clinical needs of patients with dysphagia or coma.

Modified new drug – Aripiprazole Microspheres for Injection (注射用阿立哌唑微球)

Aripiprazole is a new atypical anti-schizophrenia drug for treatment of adult schizophrenia and bipolar disorder. The main form of aripiprazole available for sale in Chinese market is the oral preparation which needs to be taken every day. The only prolonged-action preparation of aripiprazole approved for market launch is Otsuka's aripiprazole for injection approved in May 2023.

Livzon Microsphere develops aripiprazole as sustained-release microspheres for injection to achieve prolonged-action and stable release of drugs. The product's marketing authorization application was accepted by the Center for Drug Evaluation (CDE) in September 2023, and it passed the on-site inspection of pharmaceutical registration in January 2024. As at the end of March 2024, this product has passed the clinical registration inspections by 4 centers.

Requiring only one injection per month, the product can enhance the treatment effects and reduce the toxicity of the drug, and avoid patients' inconvenience in the daily medication process and even the occurrence of events affecting treatment, such as missed dose, dose aversion, and refused dose. The product greatly improves patient compliance, offering significant clinical advantages.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Modified new drug – Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球)(1-month sustained release)

Triptorelin is an analogue of natural gonadotropin-releasing hormone (GnRH) for treatment of prostate cancer, precocious puberty, female infertility and endometriosis (Phase I to IV), etc.

The use of GnRH agonists initially can induce a transient increase in gonadotropin levels, leading to a surge in testosterone levels. This may result in a "rebound phenomenon" (also known as "tumor flare"), characterized as the burst release effect of drugs. Typically occurring within 2-3 days of medication initiation and lasting for about a week, this effect may cause exacerbated bone pain in patients with advanced prostate cancer, spinal cord compression, acute urinary obstruction, cardiovascular deaths due to a hypercoagulable state, etc.

Triptorelin Acetate Microspheres for Injection (1-month sustained release) developed by Livzon Microsphere is a chemical drug of Class 2.2 and is the first triptorelin prolonged-action preparation approved for production in China. This product significantly reduces the adverse effects of the burst release effect and has a lower occurrence of adverse reactions compared with the existing imported microsphere preparations. It has been included in the National Medical Insurance Catalogue 2023.

The product's indication for prostate cancer was approved on 6 May 2023. The marketing authorization application for endometriosis was accepted in August 2023. As at the end of March 2024, this product has passed the clinical registration inspections by 2 centers.

Modified new drug – Alarelin Acetate Microspheres for Injection (注射用醋酸丙氨瑞林微球)

The standard preparation of alarelin acetate for injection is intended for endometriosis. It requires daily injections during treatment, which leads to suboptimal patient compliance. The fluctuations in plasma concentrations can cause adverse reactions to some extent.

Alarelin Acetate Microspheres for Injection, a new drug of Class 2.2 developed by Livzon Microsphere, extends the dosing interval from 1 day to 28 days, greatly alleviating patients' discomfort during treatment and improving patient compliance. This product has already been approved for clinical research of several new indications.

As at the end of the Reporting Period, Investigational New Drug (IND) applications for new indications of prostate cancer, breast cancer, and endometriosis for Alarelin Acetate Microspheres for Injection have been submitted and clinical approvals from the CDE have been obtained for these indications.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Market-demanded generic drug – Progesterone Injection (黃體酮注射液) (aqueous solution)

The marketing authorization holder (MAH) of the original product progesterone injection is IBSA Farmaceutici Italia Srl. This product was first approved in the UK in January 2013 (trade name: Lubion®) through the decentralized procedure (DCP) of the European Medicines Agency (EMA). To date, it is only available in Europe and Chinese Taiwan, with no imports to China's mainland, where the only form of progesterone injection available is in oil, which has significant limitations due to its great side effects and the requirement for deep intramuscular injection.

Livzon's generic drug Progesterone Injection (aqueous solution) (the "Product") uses supramolecular solubilization technology to address the challenge of progesterone's poor water solubility. The Product utilizes the injection grade hydroxypropyl-beta-cyclodextrin that meets the pharmacopoeia standards of China and major Western countries in Europe and North America, instead of using vegetable oil as a solvent. This addresses the adverse reactions (with an incidence of 28%~38%) such as muscular induration, pain, bleeding, rash, itching, and abscess associated with the progesterone injection (oil-based solution) for using vegetable oil as a solvent and requiring deep intramuscular injection. Additionally, the Product allows for self-administration, saving patients the time and cost of hospital visits, thus significantly reducing both physical and financial burdens on patients.

By adopting a new solubilizer technology, the Product overcomes the difficulty that progesterone cannot be administered subcutaneously, making it the first generic drug of progesterone injection (aqueous solution) in China. If successfully launched for market, it would break the market and price monopoly of international pharmaceutical companies on high-end progesterone medications for reproductive assistance, offering women a safer, more effective, more compliant, and economical option for natural pregnancy or assisted reproduction.

As at the end of the Reporting Period, the Product had been applied for marketing authorization to the Center for Drug Evaluation, National Medical Products Administration ("NMPA") and is currently under evaluation.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Market-demanded generic drug – Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克)

The Company's Cetrorelix Acetate for Injection, approved for market launch at the end of 2021, is the first generic drug of Cetrorelix Acetate for Injection approved for market launch in China. Cetrorelix Acetate for Injection is a third-generation gonadotropin-releasing hormone antagonist, used to prevent premature ovulation in women undergoing controlled ovarian stimulation, facilitating subsequent egg retrieval and ART (Assisted Reproductive Technology) procedure.

Compared to traditional treatment regimens, this product has a shorter duration of use and can effectively prevent the occurrence of ovarian hyperstimulation syndrome, offering patients better compliance and comfort.

Market-demanded generic drug – Blonanserin Tablets (布南色林片)

In August 2023, the Company's Blonanserin Tablets were approved for market launch, making Livzon the second pharmaceutical company approved to produce this drug in China's mainland.

Blonanserin, a novel atypical antipsychotic drug, is mainly used to treat schizophrenia and works by blocking dopamine D2 receptors and 5-HT2A receptors. Compared to other antipsychotic drugs available on the market, this product has a broader therapeutic spectrum, fewer extrapyramidal side effects, and milder side effects.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

In the field of biologics, LivzonBio, a subsidiary of the Company, specializes in the independent R&D and industrialization of the world's leading innovative macromolecular drugs. It has developed innovative biologics in the fields of autoimmune diseases, oncology, reproduction, the prevention of severe infectious diseases, etc., and has a variety of product pipelines for R&D, including innovative vaccines, monoclonal antibodies, recombinant protein drugs, etc., to meet various unmet clinical needs and continuously improve patients' quality of life.

With the successive launch of products, such as Recombinant Human Choriogonadotropin alfa for Injection(注射用重組人絨促性素)for assisted reproduction, COVID-19 vaccines (including original monovalent vaccines and original/XBB bivalent vaccines) for COVID-19 prevention, and Tocilizumab Injection(托珠單抗注射液)for the treatment of autoimmune diseases and others, Livzon has achieved a leapfrog breakthrough in the field of biologics, and its product R&D and industrialization have been highly recognized by the country and the industry. Livzon offers the general public and patients safe, effective, and reasonably priced therapeutic options.

LivzonBio will continue its efforts in accelerating new product development through multiple channels such as independent R&D, external introduction and strategic alliances, focus on promoting projects on which it has advantages based on the existing varieties in the pipeline, continue innovative drug development across the globe, expand innovative product mix of differentiated treatment and combination therapy, improve the technology platforms of antibodies and protein drugs, and enhance its capability of product commercialization.

Product of R&D innovation – Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO Cell)(重組新型冠狀病毒融合蛋白二價(原型株/Omicron XBB變異株)疫苗(CHO細胞)) ("LIKANGMIN")

LIKANGMIN, independently developed based on the same technology platform as the Recombinant SARS-CoV-2 Fusion Protein Vaccine (CHO Cell) ("LIKANG"), is an Original/Omicron XBB bivalent vaccine. Its innovative molecular design covers key mutation sites of several predominant COVID-19 strains. In July 2023, it obtained clinical trial approval from the National Medical Products Administration.

As at October 2023, the clinical trials for LIKANGMIN had completed enrollment of all subjects. The analysis of clinical data indicates that it has achieved the primary endpoint of the clinical study, characterized by rapid onset, high antibody titers, good safety profile, and excellent immunogenicity and safety in the elderly population.

In December 2023, following the recommendation of the National Health Commission of the PRC, the National Medical Products Administration organized an evaluation and agreed to include LIKANGMIN in emergency use (for adults aged 18 and above), making it the second COVID-19 vaccine product of LivzonBio to be included in the emergency use following LIKANG.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Product of R&D innovation – Recombinant SARS-CoV-2 Fusion Protein Vaccine (CHO Cell)(重組新型冠狀病毒融合蛋白疫苗(CHO細胞)) ("LIKANG")

LIKANG is a Recombinant SARS-CoV-2 Fusion Protein Vaccine jointly developed by LivzonBio and the Institute of Biophysics, Chinese Academy of Sciences. It has a globally innovative molecular structure. Compared with other recombinant protein vaccines, its molecules fuse immune components such as biological adjuvants, which allows LIKANG to be able to induce higher levels of neutralizing antibodies and have better safety.

LIKANG has obtained high vaccine efficacy data for Omicron from phase III clinical trials of inactivation-based sequential booster. It was officially included in the national immunization program for emergency use of COVID-19 vaccines in September 2022. It is suitable for adults aged 18 years and above (including groups at high risk of infection, elderly groups aged over 60 years, people with serious underlying conditions, and immunocompromised groups, among other special groups) for their booster immunization, which are implemented in accordance with the national COVID-19 vaccine immunization plan policies. At present, LIKANG has successively been used for booster vaccination in 27 provinces and cities across the country.

Clinical results indicate that vaccination with LIKANG can help reduce the risk of infection and serious diseases. It is the preferred vaccine for booster immunization and can improve and reinforce the immune barrier for the general population.

Meanwhile, in response to the global prevalence of COVID-19 mutant strains, LivzonBio has developed various mutant strains vaccines, achieving corresponding R&D results. Its Original/Omicron XBB Bivalent vaccine was also approved for emergency use by the national authorities in December 2023.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Product of R&D innovation under research – Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection（重組抗人IL-17A/F人源化單克隆抗體注射液）("LZM012")

LZM012 is a humanized monoclonal antibody with a unique molecular design targeting IL-17A/F, offering a dual mechanism of action. It is capable of potently and selectively neutralizing two key cytokines, IL-17A and IL-17F, thereby inhibiting inflammation more effectively than blocking interleukin-17A alone. Developed indications include moderate to severe psoriasis and ankylosing spondylitis.

Currently, no IL-17A/F targeting drugs have been approved for market launch in China, and Bimekizumab ("Bimzelx") is the only drug targeting IL-17A/F approved for global launch, which was approved for launch in regions such as the European Union, Japan, and Canada.

In August 2023, LZM012 officially initiated phase III clinical trials for the psoriasis indication, becoming the first drug in China to commence head-to-head clinical studies against secukinumab ("Cosentyx"). As at the end of the Year, subject enrollment was ongoing. Additionally, the ankylosing spondylitis indication, developed by the partner Beijing Xinkanghe Biomedical Technology Co., Ltd., officially started phase III clinical trials in September 2023, with subject enrollment continuing as at the end of the Year.

Based on existing clinical study data, compared with other similar drugs, LZM012 has clinical advantages such as quick effect, good treatment results and long-lasting efficacy. If successfully launched, LZM012 is expected to provide a better drug option for psoriasis and autoimmune patients in China.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Biosimilar under research – Recombinant Human Follitropin Alfa Solution for Injection(重組人促卵泡激素注射液)("B-01")

B-01 is a biosimilar developed with Gonal-f® (original product manufacturer: Merck Serono) as the reference drug. Its active ingredient is consistent with that of Gonal-f®, both being recombinant human follicle-stimulating hormone (r-hFSH) expressed in CHO cells, primarily indicated for infertility. The results from similarity studies conducted for biosimilars have shown that B-01 has high similarity to the original product Gonal-f®. Its phase III clinical trial was initiated in May 2023, with subject enrollment ongoing as at the end of the Year.

The original product Gonal-f®'s pen injector, due to its advantages of adjustable dosage, reasonable load, and ease of use, has become clinically dominant (capturing more than 50% of the market share), leading to a market for r-hFSHs that is mainly monopolized by imported drugs.

LivzonBio's B-01 shares identical active ingredients, specifications, and excipients with the original product Gonal-f®'s pen injector. B-01 also uses a novel pre-filled pen injector for easier administration, allowing for accurate medication dosage and adjustable dosage. Compared to traditional syringes, pen injector products typically have finer needles, resulting in less pain during injection, which can enhance patient compliance; moreover, utilizing advanced production technology, B-01 offers high capacity and low-cost advantages, benefiting patients with high-quality, readily available medications.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

In the field of diagnostic reagents and equipment, Livzon Diagnostics, a subsidiary of the Company, is undergoing independent innovation transformation. Based on several powerful independent R&D technology platforms, it has further expanded its product application from severe infectious diseases to multiple disease areas, with strategic focuses on autoimmune diseases, and severe and respiratory infectious diseases. Livzon Diagnostics develops raw materials, reagents and equipment in a completely independent manner and enables product and technology innovation through a relatively high R&D investment (not less than 10% of turnover each year).

The principle of Livzon Diagnostics' product layout is to address unmet clinical needs, to solve the pain points in the process of disease diagnosis and treatment. For example, Livzon Diagnostics chooses to develop for diseases with relatively limited global supply and significant impact on people's quality of life (e.g. autoimmune diseases), and is committed to efficient, comprehensive and accurate diagnosis and treatment of autoimmune diseases, as well as early and effective treatment.

- There is a rapid growth in the diagnosis and treatment of autoimmune diseases every year, but the diagnosis system in the domestic market is characterized by a low degree of automation and inconsistent standards. To solve this problem in the market, we originally created a global innovative technology platform – the Fully-Automatic Multiple Immune Analyzer（磁條碼多重液相芯片）method – by transforming a technology platform from manual to automatic through technological innovation, independently achieving the ground-breaking industrialization of diagnostic reagents.

  This innovative technology platform has greatly improved the efficiency of diagnosis and the medical experience of patients: Reports are issued more quickly from weekly to daily, reducing the time that patients have to wait for the prescription. At present, it has been installed and used by more than 200 medium and large hospitals. Going forward, we plan a gradual rollout of the innovative technology platform to overseas markets to help achieve early diagnosis and early treatment for more patients.

- Among the plethora of autoimmune diseases, many still lack adequate diagnostic and prognostic tools, such as complications of polymyositis/dermatomyositis-interstitial lung diseases and autoimmune encephalitis. To meet clinical needs, Livzon Diagnostics is committed to developing diagnostic kits for anti-MDA5 antibodies and autoimmune encephalitis-related autoantibodies. Once launched, these products will fill gaps in both domestic and international markets, providing a powerful tool for precise diagnosis and treatment to save lives in a timely manner.

- Alzheimer's Disease (AD), a class of neurodegenerative diseases that inflict significant social burden and family impact, predominantly affects the elderly population, and there is a lack of effective diagnostic and identification tools. Biomarker testing can better assist physicians in diagnosing AD and tailoring medication, but previously, biomarkers were largely based on cerebrospinal fluid samples, which are difficult to collect and invasive, greatly reducing accessibility. Livzon Diagnostics is committed to developing blood (plasma)-based AD biomarker testing, which holds the promise of efficient detection and even screening of early-stage patients, thereby expanding the beneficiary group.

6.1 R&D INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Product of R&D innovation under research – Diagnostic Kit for Anti-MDA5 Antibodies (抗MDA5抗體檢測試劑盒)

The anti-MDA5 antibody, a recently discovered MSA antibody, is considered indicative of the heterogeneity of dermatomyositis (DM). Approximately 10% to 30% of DM patients are anti-MDA5 positive, with a higher prevalence among Asian patients. Anti-MDA5 antibodies are related to an increased risk of developing interstitial lung disease (ILD): Among patients positive for anti-MDA5 antibodies, up to 92% may develop ILD. Those with DM and positive for anti-MDA5 antibodies often show worsening ILD in radiographic imaging within one month of respiratory symptoms onset, accompanied by progressive dyspnea and hypoxemia, and they often require intensive care treatment for respiratory failure.

Therefore, timely detection of MDA5 antibodies is crucial for patients. Given the insidious onset of connective tissue disease-associated interstitial lung disease (CTD-ILD) and the potential for rapid disease progression and life-threatening implications after the onset, there is an urgent clinical need for the detection of anti-MDA5 antibodies in CTD patients.

Currently, there are no anti-MDA5 antibody products registered for sale in China's mainland. Livzon Diagnostics' Diagnostic Kit for Anti-MDA5 antibodies is expected to be the first approved for market launch in China's mainland, to meet the urgent clinical need.

Product of R&D innovation under research – Diagnostic Kit for Autoimmune Encephalitis-Related Autoantibodies (自身免疫性腦炎相關自身抗體檢測試劑盒)

Autoimmune encephalitis, a disease of great concern in neurology, is characterized by brain inflammation mediated by autoantibodies. Effective symptomatic treatment requires differentiation from other causes of inflammation. Currently, diagnostic methods for autoimmune encephalitis are very limited, with a global lack of standardized, highly efficacious immunodiagnostic approaches. Existing cell or tissue experiments are difficult to establish in hospitals and have low standardization and generally moderate reliability.

Based on this significant clinical need, Livzon Diagnostics strives to make technological breakthrough through the development of a neuronal transmembrane protein target antigen expression platform. It aims to detect autoimmune encephalitis-related autoantibodies based on a high-performance immunodiagnostic platform, achieving technological breakthroughs in high efficiency, standardization, and minimal batch-to-batch variation, thereby improving the diagnostic efficiency and accuracy of autoimmune encephalitis.

6.1 R&D INNOVATION *(continued)*

External collaborations

In addition to independent R&D, Livzon actively collaborates with various partners and constantly explores various forms of partnership, including technology transfer, technology licensing, joint development and joint research so as to achieve mutual benefit and win-win situation by virtue of resource integration and complementary advantages.

Focusing on key R&D projects in the fields of gastroenterology, psychiatry, assisted reproduction, anti-tumor, anti-infection, etc., the Group has established close cooperation with renowned universities, research institutes, and medical institutions in China, such as Zhejiang University, Sun Yat-Sen University, Nankai University, Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences, Peking University First Hospital, and the First Affiliated Hospital of Anhui Medical University on aspects of academic research and communication, technology exchange and drug R&D; the Group has also entered into strategic collaborations with top-notch enterprises at home and abroad, such as Shanghai Medicilon Inc., Shanghai Synergy Pharmaceutical Sciences Co., Ltd., LTS Lohmann Therapie-Systeme AG, a German company, and Onconic Therapeutics Inc., a South Korean company. These collaborations jointly promote scientific research innovation and the actual commercialization of technological achievements.

These diversified collaborations such as R&D collaborations with external business partners can not only improve and enrich our R&D technology and R&D fields, but also provide more possibilities for Livzon's further commercialization in the future, and make our products available to more patients around the world, thus expanding the beneficiary population.

As an important part of joint development, external introduction has played a positive role in promoting the improvement of the Group's internal R&D capabilities. For example, LIKANG is a Recombinant SARS-CoV-2 Fusion Protein Vaccine jointly developed by LivzonBio and the Institute of Biophysics, Chinese Academy of Sciences. During the development of LIKANG, we established a systematic advanced vaccine technology platform. The vaccine technology platform enabled us to quickly respond to the mutation of SARS-CoV-2 and efficiently develop the new generation of SARS-CoV-2 variant vaccines, thus making continuous contributions to the treatment of COVID-19. The Original/Omicron XBB Bivalent Vaccine, developed based on this platform, was approved for emergency use by the national authorities in December 2023.

6.1 R&D INNOVATION *(continued)*

External collaborations *(continued)*

We co-develop with our partners through contract research collaboration, which can reduce the cost of technological innovation, shorten the cycle time during the R&D process, and share R&D risks. This allows limited resources to be focused on core technology R&D. For example, LivzonBio has a preclinical research and evaluation team, which will outsource preclinical safety and efficacy research and evaluation of products to external CROs with GLP qualification according to the characteristics of each product. Contract research collaborations allow us to exchange ideas with various companies in depth and enable us to improve and innovate internal technology platforms, reduce waste of resources, and increase R&D efficiency.

External collaboration project – Lipustobart for Injection (注射用利普蘇拜單抗) ("LZM009")

LZM009, a recombinant humanized anti-PD-1 monoclonal antibody for injection, can inhibit or activate the receptor by targeting regulatory proteins, thus exhibiting enhanced immune response and having an effect of cancer therapy. In November 2021, Livzon MAB granted Bright Peak Therapeutics, Inc. a non-exclusive, royalty-bearing license for LZM009 with proprietary intellectual property rights, for its development of novel PD-1 targeted immune cytokines (PD-1 ICs) to be used in the field of tumor treatment.

This project has now progressed to the stage of pre-clinical communications with the United States Food and Drug Administration (FDA), laying a robust foundation for future clinical research. Through this international collaboration, Livzon MAB not only showcases its technical prowess and research capabilities in the field of biologics but also expands its product influence globally, contributing positively to the innovation of tumor treatments.

Preliminary results from a phase II clinical study on advanced thymic cancer show that LZM009 has good efficacy and safety in the treatment of advanced thymic carcinoma. As at the end of the Reporting Period, this project was undergoing pre-market preparation. If successfully approved for market launch, this product is expected to provide an additional option and a better therapeutic regimen for tumor treatment and meet the medication needs of more patients, which has improved the accessibility of the Group's drugs.

6.1 R&D INNOVATION *(continued)*

External collaborations *(continued)*

External collaboration project – consistency evaluation of Cyclosporine Soft Capsules（環孢素軟膠囊）

In 2023, Pharmaceutical Factory was granted approval for the consistency evaluation of Cyclosporine Soft Capsules. This project was co-developed by Pharmaceutical Factory, a subsidiary of the Company, and the external enterprise "Suzhou Industrial Park Biomedical Research Transformation Center".

By implementing this project, Pharmaceutical Factory has established a lipid digestion platform related to in vitro and in vivo absorption of complex lipids, offering a scientific and novel technological route for the design of lipid formulations for poorly soluble drugs and the development of preparations of the same type. The project has effectively bolstered the enterprises' capabilities in research, production, clinical trials, and market innovation.

Moreover, this collaboration project has further improved the enterprise-institute collaboration system of Pharmaceutical Factory, providing a valuable foundation for its future technological advancements and product development.

External collaboration project – optimizing the manufacturing process of Microsphere Products

To address the issue of the time-consuming solid-liquid separation process used for microsphere products, Shanghai Livzon collaborated with a pharmaceutical system supplier. Drawing on this company's advanced experience in biologics and mechanical engineering, combined with its own R&D and manufacturing process foundations, Shanghai Livzon designed a better solid-liquid separation solution applicable to the post-treatment processes of microsphere products.

With the use of the new process by Shanghai Livzon, minimal manual intervention is needed, significantly reducing process time. Preliminary tests have shown this process is comparable to traditional processes in terms of product yield and reduces manual labor of operators in sterile areas, effectively decreasing workload for employees, and ensuring better quality control; additionally, the temperature of the entire manufacturing process is more controllable, reducing product quality variability.

This process improvement opens up possibilities for capacity enhancement in the overall microsphere R&D and manufacturing process of Shanghai Livzon. In future process improvements, especially in new project construction, Shanghai Livzon will consider similar methods for further layout optimization, aiming for a more time and labor-efficient process flow, increasing production capacity while maintaining stable product quality.

6.1 R&D INNOVATION *(continued)*

External collaborations *(continued)*

External collaboration project – innovative Potassium-Competitive Acid Blocker (P-CAB)(鉀離子競爭性酸阻滯劑)

In March 2023, the Company entered into a Licensing Agreement (the "Agreement") with Onconic Therapeutics Inc. ("Onconic"), a South Korean biotech firm focused on developing world-leading gastrointestinal drugs and next-generation anti-tumor treatments, for Zastaprazan, a drug independently developed by Onconic. Under the Agreement, Onconic grants the Company an exclusive license to develop, manufacture, and commercialize Zastaprazan (also known as JP-1366), a potassium-competitive acid blocker (P-CAB) within the licensed regions (China's mainland, Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan region).

Zastaprazan, an innovative P-CAB independently developed by Onconic, has shown fast onset, effective acid suppression with prolonged action, and minimal adverse reactions. It holds potential for expansion into treatments for duodenal ulcers, Helicobacter pylori infections, and non-erosive gastroesophageal reflux disease.

As of now, marketing authorization application has been submitted for Zastaprazan in South Korea. The Company submitted an IND application for the product in November 2023 and received the clinical trial notification in February 2024. The Company has developed a strong presence in gastroenterology over the years with several superior products, and the collaboration with Onconic further solidifies Livzon's leading position in this field.

6.1 R&D INNOVATION *(continued)*

External collaborations *(continued)*

External collaboration project – patent and technology transfer

In July 2023, the Company entered into a Patent and Technology Transfer Agreement (the "Agreement") with Shanghai Synergy Pharmaceutical Sciences Co., Ltd. ("Synergy Pharmaceutical"). Under the Agreement, Synergy Pharmaceutical agreed to transfer and assign all rights, ownership, and interests of its developed HHT120 project within Greater China (China's mainland, Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan region) to the Company. The Company is required to pay Synergy Pharmaceutical the corresponding patent and technology transfer fees (including upfront payment, development milestone payments) and sales royalties.

HHT120, a thrombin inhibitor independently developed by Synergy Pharmaceutical, was approved by the NMPA in April 2022 to conduct clinical trials. The indication for the first clinical trial is intended for preventing venous thromboembolism after major orthopedic surgeries.

The introduction of the HHT120 project represents a new plan for the Company to expand its therapeutic product portfolio. The Company actively positions itself in fields with market potential, aligning with its strategic plan of medium to long-term innovation development.

External collaboration project – application of artificial intelligence in Triptorelin Prolonged-action Microsphere Preparation (曲普瑞林長效微球製劑)

Since 2013, Livzon Microsphere has been developing its microsphere platform, now a leading domestic R&D and industrialization platform for prolonged-action microsphere technology. In collaboration with the University of Macau, Livzon Microsphere has been actively exploring the application of artificial intelligence (AI) in Triptorelin Prolonged-action Microsphere Preparation.

By employing AI to analyze the impact of formulation composition and technological parameters of key preparation processes on critical quality attributes, we can rapidly and accurately identify main influencing factors and optimize formulation processes; utilizing computer simulation technology, we explore the release mechanism of microspheres both in vivo and in vitro, establish in vitro-in vivo correlations, and develop an in vitro release method for the rapid screening of formulation technology.

This in vitro release method has guided the scale-up studies of new production sites for triptorelin microspheres. As at the end of the Reporting Period, Livzon Microsphere has completed the process exploration for the corresponding new production sites and initiated process validation. The project is ongoing, and it is expected that leveraging the advantages of AI will shorten the research duration for the industrialized process formulation of triptorelin microspheres, and by improving R&D efficiency, it is expected to correspondingly reduce labor and R&D costs.

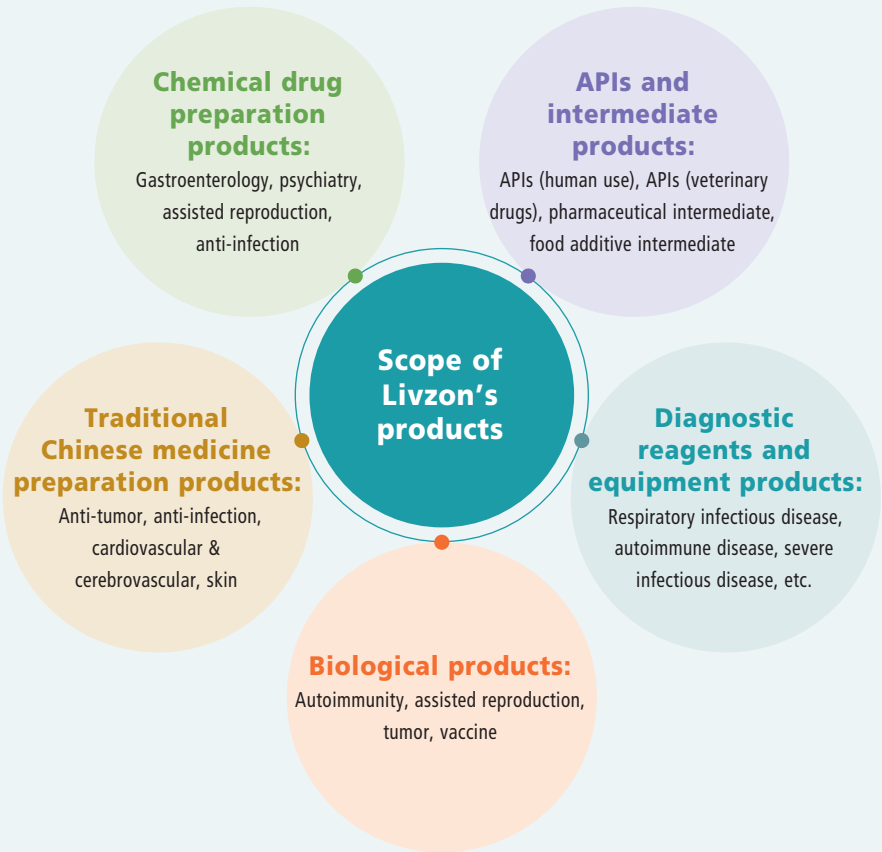
6.2 PRODUCT ACCESSIBILITY

Livzon's products include drug preparations, APIs and intermediates, as well as diagnostic reagents and equipment, covering a wide range of treatment fields such as gastroenterology, assisted reproduction, psychiatry, anti-tumor, etc., and has formed a relatively complete and diverse product profile.

Adhering to the idea of benefiting patients worldwide with more safe and effective products, we have accelerated the Group's international development by actively pursuing overseas registration and sales of our various types of products, such as vaccines, on-patent medicines, generics, and diagnostic reagents and equipment, in emerging markets and developing countries.

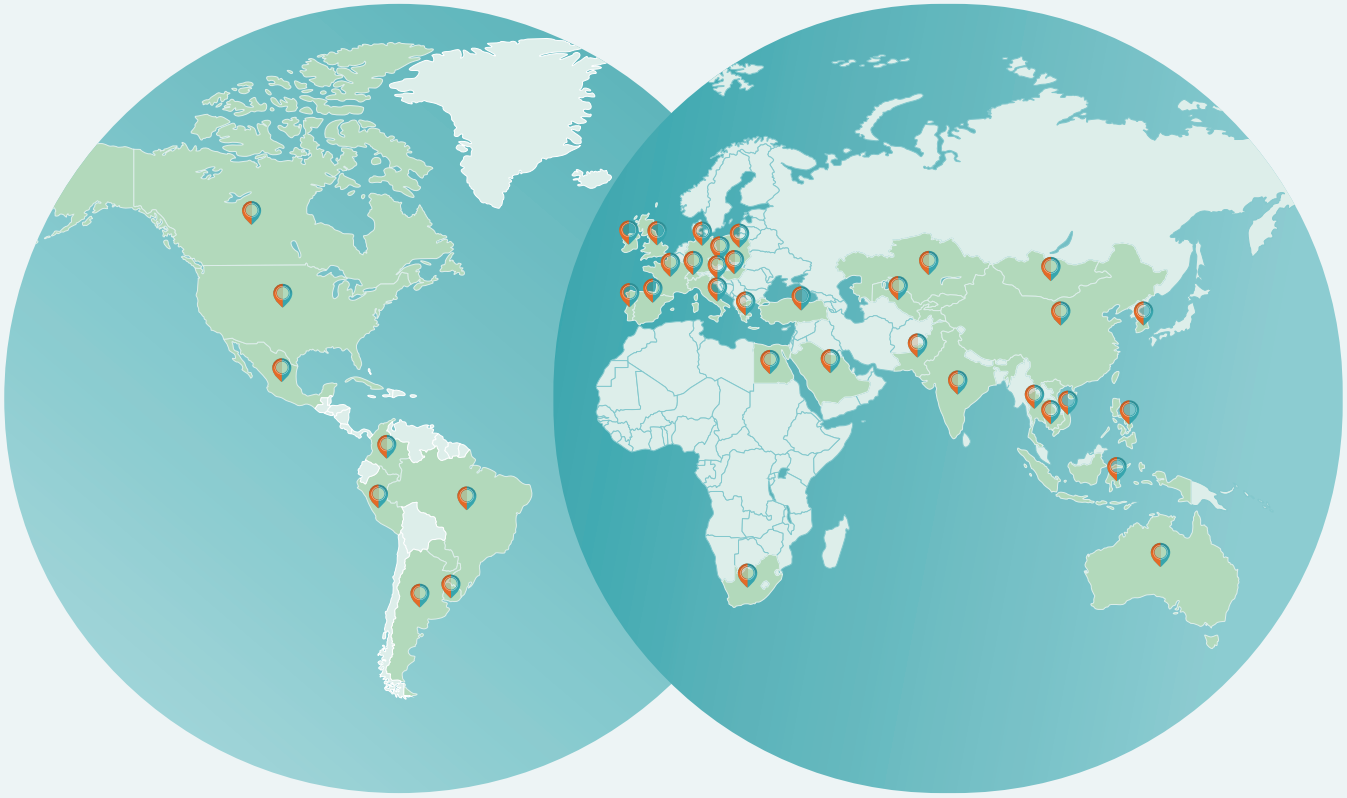
We have developed markets outside China through direct operations, license cooperation, equity investment, etc. We now do business in major pharmaceutical markets and emerging markets worldwide, including China, Europe and North America, Latin America, Australia, the Commonwealth of Independent States, Southeast Asia, East Asia, Central Asia, West Asia, South Asia, the Middle East, and Africa.

During the Year, the Group continued to provide high-quality pharmaceutical products and services to many countries and regions, and our income from overseas principal businesses amounted to RMB1,571.35 million, accounting for 12.75% of income from principal businesses, with a compound growth rate of nearly 7.54% in the past five years.



6.2 PRODUCT ACCESSIBILITY *(continued)*

Countries and Regions Where Livzon's Products Are Sold in 2023



6.2 PRODUCT ACCESSIBILITY *(continued)*

API business

As a major global supplier of APIs, the Group deepens and maintains business in Asian markets such as India, Pakistan and Vietnam, South American markets such as Argentina and Brazil and Middle East markets while continuously developing and operating in standardized markets such as the United States and Europe.

We have been working hand in hand with preparation customers from various countries to continuously expand markets for registration around the world, especially in emerging markets and developing countries, aiming to improve the accessibility of our products and help people in all countries gain full access to Livzon's high quality and affordable medicines and services.

The Group's API enterprises are increasingly becoming the preferred strategic partners of leading enterprises in the global pharmaceutical industry. During the Year, we continued to intensify our development efforts in both domestic and international markets. For our high-end antibiotic and intermediate product lines, strategic collaborations had been established with the relevant leading preparation and API enterprises. We focused on anthelmintic APIs for veterinary drugs and maintained close cooperation with major international animal health companies, leading to sustained growth in the sales of our API business segment.

In terms of market access, we always adhere to the principle of prioritizing registration. Our extensive registration experience in European and North American markets has laid the foundation for the reputation of Livzon's APIs in the international market for high quality. Meanwhile, we have been working hand in hand with preparation customers from various countries to continuously expand markets for registration around the world, especially in emerging markets and developing countries, aiming to help people in all countries gain full access to Livzon's high quality and affordable medicines and services.

With strong R&D and quality analysis capabilities, we have developed proprietary methods to break through the technological barriers specific to crystalline form protection, impurity control and detection from approved European and North American suppliers or original product manufacturers. We transfer these methods to the less sophisticated generic preparation manufacturers in emerging markets and developing countries and provide relevant impurity standards to accelerate their acquisition of regulatory approval and commercialization, further increasing the accessibility of our high-end antibiotics and animal health products in the global market, and especially lowering the cost of medicines for people in emerging markets and developing countries.

6.2 PRODUCT ACCESSIBILITY *(continued)*

API business *(continued)*

We have strengthened cooperation with local pharmaceutical enterprises and have expanded our business through the sales of their drug preparations. We have set up overseas offices in four countries, namely Brazil, India, Spain and Vietnam, and have hired locals to take advantage of their language and permanent residence strength to develop the market for our products and to communicate with and maintain our customers, which can enhance the communication and negotiation of new projects and strengthen promotion of new products, ensure the stability of long-term orders from important customers, and improve the Company's brand awareness and product market share. In 2023, our sales team made multiple trips around the world to participate in the CPhI (Convention on Pharmaceutical Ingredients) Worldwide, while actively visiting customers.

In countries and regions such as China, Brazil, Egypt, India, Greece, Mexico, and Turkey, we have, based on local conditions, actively developed new customers by offering prices 10% lower than those in developed countries, so as to introduce high-quality and affordable drugs into the markets.

In 2023, in the above regions, Livzon had 8 new customers for its high-end antibiotic products (Vancomycin Hydrochloride (鹽酸萬古霉素), Teicoplanin (替考拉寧), Colistimethate Sodium (多黏菌素E甲磺酸鈉), and Daptomycin (達托霉素)) who completed the local regulatory registration and initiated commercialization for their products. An additional 25 customers expressed their intention to cooperate and began the registration process.

As at the end of the Reporting Period, a total of 36 APIs and intermediate products of the Group had completed 167 international registrations in 103 overseas countries/regions. During the Year, the Group obtained 27 certificates for international certification for its API and intermediate varieties, including: 5 certificates for FDA on-site inspections, 14 CEP certificates, 1 EU GMP certificate, 1 Mexican GMP certificate, 3 Japanese GMP certificates, 1 Brazilian GMP certificate, and 2 South Korean GMP certificates. Moreover, as at the end of the Reporting Period, the Group completed registrations in China for a total of 50 APIs and intermediate products.

6.2 PRODUCT ACCESSIBILITY *(continued)*

API business *(continued)*

Livzon facilitates the widespread use of Ceftriaxone Sodium Injection (頭孢曲松鈉注射劑) in Mexico

Ceftriaxone Sodium Injection is the most widely used cephalosporin injection in Mexico. Livzon began planning its registration in the region many years ago and, in March 2023, visited the headquarters of a leading pharmaceutical company in Mexico. In June of the same year, Livzon invited the team from the company to visit Livzon's headquarters and factories for in-depth technical exchanges and business negotiations.

Our technical team fully understood the special requirements for sterile ceftriaxone raw materials in the region, customizing production in collaboration with the customer. We also underwent a remote site audit by Mexican officials to eliminate technical and regulatory barriers, establishing deep trust and long-term strategic cooperation between the two companies.

Given the specificities of government tender for this product in the Mexican market, we accurately positioned our pricing to assist our customer in winning, at a reasonable price, a government tender for the largest two-year order of Ceftriaxone Sodium Injection in Mexico. This product is intended for the treatment of various infections caused by sensitive pathogens, benefiting the local people in Mexico.

6.2 PRODUCT ACCESSIBILITY *(continued)*

API business *(continued)*

Livzon made contributions to charitable projects on treating river blindness and other diseases

Onchocerciasis ("river blindness") is a parasitic infection caused by the bite of the black fly, which is most prevalent in Africa and a few Latin American countries. Once infected by parasites in the river, patients will suffer from inflammation of the cornea, which can lead to vision loss or unrecoverable blindness if not treated promptly. Currently, there are 200 million people globally exposed to the risk of getting river blindness. The Moxidectin product is mainly used for treatment of patients with river blindness in Africa and certain Latin American countries, with the medication target covering the whole population (including healthy people), and thus can make significant contributions to improvement of medical level and the treatment of diseases in developing regions.

Medicines Development for Global Health ("MDGH"), a not-for-profit public company and registered charity. The oral moxidectin was approved by the US FDA in June 2018 for the treatment of onchocerciasis in patients aged 12 years and older.

The Group signed a long-term strategic cooperation agreement with MDGH in 2022. We plan to provide moxidectin APIs for the charitable project "Moxidectin for human project" under the Bill Gates Foundation for consecutive years in the future, at a favorable price far lower than the market price. In 2023, MDGH started purchasing moxidectin APIs from the Group for the manufacturing of its approved oral moxidectin and clinical trials for the treatment of onchocerciasis in children aged over 4 years. MDGH is working with the lead agency for the WHO Global Program to Eliminate Onchocerciasis to support the development of WHO treatment guidelines and to include moxidectin in the WHO Model List of Essential Medicines and the WHO Model List of Essential Medicines for Children.

In the future, MDGH will continue to support clinical research led by external research institutions on many neglected diseases, such as strongylosis, soil-transmitted helminthiasis, pediculosis capitis, and loiasis, by donating moxidectin APIs as materials for clinical trials.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business

For the drug preparation business, Livzon has continuously explored markets outside the PRC. We continue to advance the market access and sales of products in fields of assisted reproduction, gastroenterology, psychiatry, immunology and anti-infection in emerging markets/developing countries, including the countries and regions in South Asia, Southeast Asia, Central Asia, Eurasia and Africa, such as Pakistan, the Philippines, Thailand, Indonesia, Malaysia, Vietnam, Russia, Uzbekistan, Nigeria, and Kenya. Meanwhile, we evaluate and select products with higher market potential overseas and strengthen their registration to continuously cater for the needs of international markets.

In emerging markets (mainly including Southeast Asia, South Asia, Latin America, the Commonwealth of Independent States, Africa and other regions), we rely on the Group's existing products that meet the requirements of local registration regulations and meet local drug needs to initiate local GMP inspection work and submission of regulatory dossiers in CTD format and obtain market approval.

In the standardized markets (mainly including Europe and the United States, Japan, South Korea and Australia, etc.), in light of the stringent requirements of these market regulations and the high cost of preliminary development, we promote the existing featured high-barrier complex preparations to obtain certification of high-end drug preparation in Europe and the United States based on international multi-center clinical trial and application, so as to enter into the standardized markets should any opportunities arise. Obtaining the European and the U.S. high-end drug preparation certification will greatly facilitate the promotion and registration of the Group in developing countries and improve the popularity and coverage of the Group's products in developing countries.

We have recruited local employees in countries including the Philippines, Pakistan, Indonesia and Malaysia, and have set up overseas subsidiaries. Meanwhile, we have built partnerships with local pharmaceutical manufacturers, carried out technology transfer of our major products, and planned for local production. Through the business model of exporting technology transfer scheme and analytical testing scheme, we can help local pharmaceutical enterprises upgrade and improve their production process management, quality control and other aspects to a certain degree, which can improve the local pharmaceutical industry level and increase the local accessibility of our products.

Livzon hopes to help patients around the world gain access to affordable, sustainable and high-quality medical services in the future, and is committed to eliminating health disparities in underserved regions.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

Targets and progress associated with access to healthcare

It is planned that over the next 5 years, **79** new overseas registration or business cooperation agreements are signed for preparations in **22** more countries/regions, **90** overseas registrations are submitted, and **60** are approved (in 2023, 12 new overseas registration or business cooperation agreements were signed for preparations in 9 more countries/regions, 12 applications for overseas registration were submitted, and 4 were approved).

In 2023, we selected 5 products from our existing chemical drug products to list as international preferred products. Moving forward, we plan to add **30** preparation registration projects in **10** new countries for these **5** products.

We plan to select **4** products from generic R&D products to list as international target and reserve products, and, in alignment with the Company's R&D direction and expanding product pipeline, to further explore more products for internationalization.

Data: Progress of drug preparation business in overseas markets in 2023

Obtained approval for registration of **4** products (mainly in Indonesia, Russia, and Tajikistan)

Submitted new applications for registration of **12** products (mainly in Pakistan, the Philippines, Thailand, Malaysia, Russia, and Uzbekistan)

Filed **1** new application for overseas high-end GMP certification (PIC/S GMP) and **1** new GMP application in other country (Kenya)

Signed **12** new overseas registration or business cooperation agreements for preparations

Case: Products reach patients around the world

Assisted reproduction preparation products: reached approximately **13,000,000** patients in Pakistan

Antiviral chemical preparation products: reached approximately **450,000** patients in Uzbekistan

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

Expanding biologics distribution – Recombinant Human Choriogonadotropin alfa for Injection（注射用重組人絨促性素）penetrates the Southeast Asian market

As at the end of the Reporting Period, our biologic product, Recombinant Human Choriogonadotropin alfa for Injection, has received approval for market launch from the Indonesian Food and Drug Administration (BPOM), marking its successful entry into Indonesia, the largest market in Southeast Asia. **This product is expected to benefit approximately 4 million infertile people in the region**.

By securing registration and market approval in Indonesia (a PIC/S member country), the largest ASEAN country, we have expedited the registration process for this product in more PIC/S member countries in Southeast Asia and beyond, as well as in non-PIC/S member countries that recognize PIC/S GMP. This extends the benefits to a broader international patient base and accelerates the accessibility of Livzon's biologics in overseas markets.

Exploring local production overseas

The South Asian pharmaceutical market stands out as one of the fastest-growing regions, with Bangladesh emerging as a leader and a perceived up-and-coming hub for generic drugs in the region. Livzon has entered into a Memorandum of Understanding for strategic partnership and local production collaborations on biologics with a leading reproductive product company in Bangladesh, planning to introduce Recombinant Human Choriogonadotropin alfa for Injection（注射用重組人絨促性素）into the country and initiate subsequent strategic collaborations on local production.

In December 2023, the executives and technical team from the Bangladeshi partner visited Livzon, and they expressed gratitude for Livzon's support for reproductive products in Bangladesh. If things continue favorably in the future, the Recombinant Human Choriogonadotropin alfa for Injection will fill a void in this product category in Bangladesh and **offer an enhanced treatment option for over 3 million local patients in need of reproductive assistance**.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

Accelerating the internationalization of traditional Chinese medicine – Jingfu Antipruritic Granules (荊膚止癢顆粒) obtained EAC certificate of the EAEU

Livzon has accelerated the overseas expansion of its traditional Chinese medicine (TCM) preparations, successfully obtaining the Eurasian Conformity (EAC) certificate of the Eurasian Economic Union (EAEU) for Jingfu Antipruritic Granules from Russian authorities in December 2023.

Indicated for dispelling pathogenic wind, eliminating dampness, clearing heat, detoxifying, and relieving itchiness, Jingfu Antipruritic Granules are intended for children with wind-heat or damp-heat type papular urticaria. Jingfu Antipruritic Granules represent Livzon's first proprietary Chinese medicine product approved in EAEU member states.

Looking ahead, this product will be freely circulated and sold within the customs territory of the five EAEU member states (Russia, Kazakhstan, Belarus, Kyrgyzstan, and Armenia), **benefiting an estimated 5.5 million patients**.

While expanding into overseas markets, Livzon also focuses on the accessibility of its products among vulnerable and special populations, such as women, children, and the elderly. Our current product portfolio covers fields including tumor, autoimmunity, reproduction, and infectious disease prevention. Among these, both the marketed product Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) and the product under research, Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液), are assisted reproduction products, bringing hope to female infertility patients.

Furthermore, in our clinical research on COVID-19 vaccines (including bivalent vaccines), we pay particular attention to the clinical medication needs of high-risk groups such as the elderly. Our trial designs specifically include these groups to gather robust data that demonstrates the safety and efficacy of our products, offering more vaccination options for high-risk groups.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

Benefiting the global infertile population – Recombinant Human Choriogonadotropin alfa for Injection（注射用重組人絨促性素）("Lidebao（麗得寶）")

Lidebao was granted the launch approval in China's mainland in 2021, making it the first product of LivzonBio to be approved for market launch. Based on the higher purity and safety and more affordable price of Lidebao, LivzonBio is actively engaged in overseas cooperation to provide more overseas patients with more economical product choices. LivzonBio is committed to reaching more infertile people around the world and helping to slow down the trend of population aging.

As at the end of the Reporting Period, Lidebao was approved for market launch in 2 foreign countries, with market launch applications submitted in 4 foreign countries. Specifically, the product was approved for market launch in Indonesia in October 2023; submissions for registration in Uzbekistan, Pakistan, the Philippines, and Nigeria have been completed.

Through a global marketing strategy and active collaborations with local medical institutions and distributors, we have introduced our products to more regions worldwide (especially developing countries). This not only enhances the accessibility of our products but also affords people in developing countries greater opportunities to access high-quality healthcare services.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

Improving global access to COVID-19 vaccines

LivzonBio's Recombinant SARS-CoV-2 Fusion Protein Vaccine (CHO Cell)(重組新型冠狀病毒融合蛋白疫苗(CHO細胞)) ("LIKANG(麗康)") has been approved for emergency use in sequential booster immunization in China's mainland, and has been used for booster vaccination in 27 provinces and cities across the country.

The overseas phase III clinical trials of LIKANG have covered multiple regions, including Southeast Asia, South Asia, and Europe, and global multi-center clinical trials have been successfully conducted in 5 overseas countries.

As at the end of the Reporting Period, both overseas phase III clinical trials for primary immunization and sequential booster immunization have completed one-year post-vaccination follow-up visits and clinical study summaries. In addition, LIKANG has also been granted Halal certification by the Indonesian MUI (the Assessment Institute for Foods, Drugs and Cosmetics, the Indonesian Council of Ulama), which demonstrates that our product has been recognized by Muslim countries.

Currently, both LIKANG and LIKANGMIN (Original/Omicron XBB Bivalent Vaccine), developed on the same platform, have been approved for emergency use in booster immunization in China's mainland.

Based on the good clinical data of efficacy and safety profile of Livzon's COVID-19 vaccine, LivzonBio is actively introducing the COVID-19 vaccine to countries outside of China. Given the relatively low living standards of people and relatively high cost of medicines in many developing countries, the Group has the ability to supply on a large scale and enjoys cost and price advantages. The move of our COVID-19 vaccine to the overseas market can benefit more people in developing countries and low-income countries around the world, and further improve the accessibility of vaccination in developing countries.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

Benefiting special populations in China – Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) ("BEIYI (貝依)")

To enhance accessibility, BEIYI has been formally listed for sale in over 1,200 tertiary hospitals and more than 1,700 secondary hospitals nationwide. The indications for BEIYI include:

- Central precocious puberty in children (targeting approximately **100,000** patients)
- Prostate cancer in men (targeting approximately **150,000** patients)
- Endometriosis and uterine fibroids in women (targeting approximately **5,000,000** patients)
- Premenopausal hormone receptor-positive breast cancer (targeting approximately **150,000** patients)

In total, BEIYI targets a patient population of approximately **5,400,000**. Since its launch, BEIYI has benefited about **3,000,000** patients nationwide.

In hospitals listed in the Chinese Pharmaceutical Association database, BEIYI accounts for 23% of sales in the class of GnRH-a (i.e., Gonadotropin-Releasing Hormone agonists, including leuprorelin, goserelin, and triptorelin) for 2023.

Furthermore, Livzon actively undertakes the consistency evaluation of generic drugs to enhance the accessibility of our generic products in China. In 2023, Livzon was granted approvals for the consistency evaluation of 3 varieties in 4 specifications, including Cyclosporine Soft Capsules (環孢素軟膠囊), Vancomycin Hydrochloride for Injection (注射用鹽酸萬古霉素), and Bismuth Potassium Citrate Capsules (枸櫞酸鉍鉀膠囊). As at the end of the Reporting Period, including the Company, only 3 manufacturers have passed the consistency evaluation for Cyclosporine Soft Capsules in China. The successful approval of Livzon's Cyclosporine Soft Capsules has increased the clinical accessibility of this product.

By undertaking consistency evaluation, it not only promotes the interchangeability of generic drugs with original products and effectively enhances the clinical accessibility of generic drugs, but also reduces drug prices. This is of significant importance for the improvement of national health and the technological level of the industry.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Diagnostic reagents and equipment business

Since the emergence of COVID-19 in 2020, various respiratory pathogens have recurrently prevailed globally, with the susceptible population in China alone surpassing 400 million. In 2023, the reported cases of influenza in China reached around 12.53 million, with an incidence rate of up to 888.73 per 100,000 people.

Driven by the practical need for clinical testing, rapid and easily accessible testing methods have become an important development trend for respiratory pathogen testing. Consequently, based on the POCT rapid testing platform, Livzon Diagnostics has developed a comprehensive series of respiratory pathogen antigen and antibody products. These products will provide convenient and accessible testing support for a large number of susceptible individuals and patients and alleviate the shortage of global medical resources in response to the outbreaks of respiratory pathogens.

Ensuring the supply of respiratory testing products

To address the sustained high incidence of respiratory diseases across the country since the second half of 2023, the demand for testing of Mycoplasma pneumoniae and Chlamydia pneumoniae in medical institutions has been on the rise, leading to a temporary tension in the supply of testing reagents in the market.

To meet the testing needs of medical institutions, Livzon Diagnostics coordinated resources in production, supply, and distribution, expanding product supply capacity and accessibility. Through the coordination with logistics companies, irrespective of logistics costs and with the aim of minimizing logistics time, Livzon Diagnostics continuously and stably supplied various types of respiratory testing reagents to all parts of the country through multiple batches, providing testing support for the detection, diagnosis, and treatment of diseases.

Furthermore, Livzon Diagnostics actively distributed other testing products in the field of respiratory testing, e.g., testing reagents for influenza A and B, to further enhance the accessibility of respiratory testing products, assist medical institutions in timely treatment, increase the penetration rate of testing, and alleviate the pressure on medical resources.

Livzon Diagnostics' monkeypox virus test product was CE certified

Monkeypox is a zoonotic viral disease caused by Monkeypox virus (mpox) infection. The main clinical manifestations are fever, rash and lymphadenopathy. Since the first confirmed case of monkeypox was reported in the UK in early May 2022, mpox has spread rapidly to non-endemic countries and regions.

Livzon Diagnostics responded quickly to the sudden outbreak of monkeypox in the world with active deployment of research and development. As at the end of the Reporting Period, the Nucleic Acid Test Kit for Monkeypox Virus (Real-time PCR)(猴痘病毒核酸檢測試劑盒(PCR-熒光探針法)) independently developed by Livzon Diagnostics had received EU CE approval, meaning it **can be marketed in 27 EU member states as well as countries and regions that recognize EU CE qualifications**. It provides test basis for the prevention, control, diagnosis and treatment of mpox infection and further enriches Livzon's product matrix.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Diagnostic reagents and equipment business *(continued)*

Cooperation with Fujirebio (Japan) to reach the global population

The particle agglutination assay, used for detecting specific antibodies produced in the human body following pathogen infection, is a distinctive testing method exclusively developed by Fujirebio and licensed to Livzon Diagnostics. Its unique particle loading, activation, and sensitization design ensure the comprehensive coverage, high activity, and thorough reactivity of antigens, resulting in strong specificity and high sensitivity. This method has been widely used globally for over two decades and has gradually become a reference or confirmatory method for the diagnosis of pathogens such as Mycoplasma pneumoniae, syphilis, and HIV.

Livzon Diagnostics has consistently been the sole provider of Treponema pallidum particle agglutination assay (TPPA) and Mycoplasma pneumoniae antibody agglutination assay (MYCO II) in China. In 2023, following the advancement and implementation of in-depth strategic cooperation with Fujirebio, Livzon Diagnostics officially became the global exclusive manufacturer of its entire series of particle agglutination assay products. With certifications such as MDSAP, ISO13485 and other systems, Livzon Diagnostics is now qualified to manufacture products and supply them to countries and regions including the United States, Japan, and Southeast Asia.

The reagents produced and sold by Livzon Diagnostics started large-scale production in October 2023 and will be sold in 2024. Besides sales in China, they will gradually be supplied to overseas markets such as South Korea and Thailand. Meanwhile, orders for OEM (Original Equipment Manufacturing) products have been confirmed, and production arrangements are underway to deliver these products to Fujirebio as per the schedule.

The collaboration between Livzon Diagnostics and Fujirebio effectively harnesses the strengths of both parties, enhancing production capacity utilization and reducing overall manufacturing costs. It is conducive to the global dissemination of Serodia series as classical products to benefit patients worldwide.

6.3 AFFORDABILITY AND EQUITABLE PRICING

Livzon is dedicated to providing patients with high quality drugs at reasonable prices. We fully consider the level of economic development in each region in product pricing and continuously improve the affordability of our products in the global market. For inter– and intra-country markets, we adopt equitable pricing policies based on product affordability.

Domestic market

The Group actively responds to domestic drug price regulation policies, strictly adheres to relevant laws and regulations, and ensures equity and transparency of drug pricing. It also proactively adjusts drug prices, as appropriate, in accordance with national policies and market conditions to alleviate the financial burden on patients. Additionally, we continue to conduct sales supervision and strengthen management; we define product positioning, conduct comprehensive product training for the sales team, and keep optimizing sales processes to ensure lawful and compliant drug sales and fair and transparent drug pricing.

All products marketed by the Group are tendered according to provincial bidding policies, mainly classified into two forms: "Sunshine Online Procurement" and "Volume-based Procurement". In "Sunshine Online Procurement", the declared access prices are based on the attributes of the product, referring to the original product price, median price, and lowest price of products with the same generic name. These prices are reviewed and publicly announced by the National Healthcare Security Administration before they take effect. In contrast, "Volume-based Procurement" involves competitive bidding based on product selection rules.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Domestic market *(continued)*

In early 2024, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security published the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2023) (the "Medical Insurance Catalogue"). A total of 190 products of the Group are included in the Medical Insurance Catalogue, with 92 drugs in the class A list and 98 drugs in the class B list.

- Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) ("Iylian"), an original patented innovative drug of Livzon, was included in the Medical Insurance Catalogue at the end of 2019 (successful negotiation for renewing its coverage and adding a new indication in the Medical Insurance Catalogue at the end of 2023). The medical insurance payment price dropped from RMB156 per dose to RMB63 per dose, **a reduction of over 59%**. According to cost-effectiveness analysis results, compared with reference drugs, the average total treatment cost per person was reduced by RMB778.7, further lightening the financial burden on patients and benefiting more patients.

- Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) ("Weibaoning (維寶寧)"), a modified new drug of Livzon Microsphere, was approved for market launch in China's mainland in May 2023 and included in the Medical Insurance Catalogue after successful negotiation at the end of 2023. The medical insurance payment price was set at RMB1,000 per bottle, representing a **price reduction by over 21%** compared to imported preparations of the same type already on the market. According to cost-effectiveness analysis results, compared with reference drugs, the average total treatment cost per person was reduced by RMB3,575, significantly easing the medication burden on patients.

- Tocilizumab Injection (托珠單抗注射液) ("Atvtia"), a biosimilar developed by LivzonBio, was approved for market launch in China's mainland in 2023 and included in the Medical Insurance Catalogue. Its current price is RMB781 per dose. Since its original product was already included in the Medical Insurance Catalogue, the biosimilar was directly included in the Medical Insurance Catalogue without any need for medical insurance negotiations after approval. Atvtia was **priced about 6% lower** than its original product, allowing patients to access high-quality drugs of same safety and efficacy at prices lower than the original products.

- Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) ("Lidebao (麗得寶)"), a biosimilar developed by LivzonBio, was approved for market launch in China's mainland in 2021. The price of Lidebao is RMB189 per vial, representing a **price reduction of about 2%** compared to its original product.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Domestic market *(continued)*

Besides, Livzon actively participates in centralized volume-based drug procurement projects conducted at various levels in China's mainland. During the Year, a total of 15 drug specifications of Livzon were selected, with an **average price reduction of 45.71%**. Specifically:

- 3 drug specifications were selected in the national level volume-based procurement, with an **average price reduction of 85.74%**. Details are as follows:

  Voriconazole for Injection (注射用伏立康唑) was selected with a strength of 0.2g*10 vials/box, at a price of RMB291.9 per box; Cefodizime Sodium for Injection (注射用頭孢地嗪鈉) was selected in two strengths, i.e. 0.5g*10 vials/box and 1.0g*10 vials/box, at a price of RMB28.9 per box and RMB49.1 per box, respectively;

- 12 drug specifications were selected in the local level volume-based procurement, with an **average price reduction of 35.71%**.

In active response to the national policies of the reform of the medical and health system, we further reduced drug prices in the process of drug bidding, procurement and access, to alleviate the financial burden on patients and the pressure on the medical insurance funds.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Domestic market *(continued)*

Improved affordability and pricing transparency in the domestic market — Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) ("BEIYI(貝依)")

Shanghai Livzon's Leuprorelin Acetate Microspheres for Injection, approved for market launch in 2009, making Shanghai Livzon the first company in China's mainland to obtain approval for this product. BEIYI was officially included in the Medical Insurance Catalogue in 2017. Its price has been adjusted several times in response to policies and market needs.

In the centralized procurement of the 11-province alliance led by Guangdong Province for 2022-2024, BEIYI won the bid at the lowest price. Priced at RMB903.86 per dose, **a reduction of about 35.6% compared to the price of the original product**, BEIYI stands as the lowest-priced among 1-month GnRH-a drugs in China.

In addition, Shanghai Livzon has been actively developing generic versions of similar varieties, such as 3-month Leuprorelin formulation, which can further enhance pharmacoeconomic benefits. The use of the 3-month Leuprorelin formulation can further reduce patients' medication expenses by decreasing the frequency of medication, reducing follow-up visits, and minimizing expenses incurred by hospitals for follow-up checks and additional costs incurred by patients due to commuting-related work interruptions, thereby effectively improving patient compliance and enhancing drug efficacy.

To ensure equitable and transparent drug pricing, the policy document requirements of provincial and municipal medical insurance bureaus have been actively complied with for BEIYI. It has completed market access, online price listing, real-time dynamic maintenance of prices, maintenance of hospital distributor information, real-time monitoring of actual transaction prices, and real-time dynamic maintenance of medical insurance information and codes on drug bidding and procurement platforms in all 32 provinces and municipalities nationwide.

Shanghai Livzon regularly logs in to drug bidding and procurement platforms across the country each month to monitor real-time dynamics of drug transaction prices in provinces and municipalities nationwide. Meanwhile, it actively follows up on the requirements of medical insurance policy documents in provinces and municipalities nationwide, actively aligns with the guidance of policy regulations, dynamically maintains drug prices, modifies, updates and uploads them in real-time, thus achieving open, transparent, and traceable national transaction price information.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Domestic market *(continued)*

Use of domestic instead of imported product — Aripiprazole Microspheres for Injection (注射用阿立哌唑微球)

Aripiprazole is an antipsychotic drug mainly used for the treatment of schizophrenia. The overseas selling price of Aripiprazole prolonged-action preparation from Otsuka, Japan, is about RMB4,000-26,000 per dose, corresponding to an annual treatment cost of about RMB50,000-RMB300,000, which is expensive for patients. It was marketed for sale in China's mainland in May 2023.

The Aripiprazole Microspheres for Injection (modified new drug) developed by Livzon Microsphere was accepted for marketing authorization application in September 2023. Upon its domestic launch, it will provide patients with domestically produced preparations of prolonged-action treatment. As a modified new drug, this product is not limited by patent protection and, compared to imported preparations, will be priced lower upon market launch, breaking import monopolies and alleviating patients' financial burdens, thereby yielding good social benefits.

Improved affordability in the domestic market — centralized volume-based procurement of Infectious Disease Eight-Item Test Reagents (Enzyme-Linked Immunosorbent Assay) (傳染病八項檢測試劑(酶聯免疫法))

In the 2023 inter-provincial alliance centralized volume-based procurement project for in vitro diagnostic reagents in twenty-five provinces (regions, corps), Infectious Disease Eight-Item Test Reagents were included in the centralized procurement scope, including Enzyme-Linked Immunosorbent Assay (ELISA) and Chemiluminescence Immunoassay (CLIA) methodologies.

These two methodologies feature the same testing indicators and mature production processes. The number of annual tests is approximately 520 million (with around 170 million tests conducted using ELISA and 350 million tests conducted using CLIA). The domestically produced reagents already account for 60%-70% of the market for Infectious Disease Eight-Item Test Reagents in twenty-five provinces (regions, corps) valued at around RMB4.5 billion, and they are widely used in domestic medical institutions.

Due to the differences in methodologies, the price of ELISA in single-person tests is less than 8% of that of CLIA. This centralized volume-based procurement further reduced hospital procurement prices, significantly decreasing medical insurance expenditure on this project.

Livzon Diagnostics' Infectious Disease Eight-Item Test Reagents (Enzyme-Linked Immunosorbent Assay) was involved in this centralized volume-based procurement project and secured the winner qualification with a **price reduction of 50.1%**. This substantially lowered patients' surgical expenses and alleviated their financial burden.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Domestic market *(continued)*

Improved affordability in the domestic market — HIV test reagent (艾滋病毒檢測試劑)

At present, overseas enterprises have a relatively high market share in the domestic diagnostic market. To reduce domestic medical costs, Livzon Diagnostics produces domestic alternatives in China. According to the research report, Livzon Diagnostics' commercially available HIV test reagent (Nucleic Acid Test Kit for Human Immunodeficiency Virus Type 1 (Real-Time PCR) (人類免疫缺陷病毒1型核酸測定試劑盒(RT-PCR螢光探針法)) features higher stability and sensitivity, accurate test results, significantly lower cost than imported counterparts, and easier popularity and application in China, thus benefiting a wide range of people in the country.

Improving the affordability of drugs for infertility — Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) ("Lidebao (麗得寶)")

Lidebao, developed by LivzonBio, is an assisted reproduction drug and is the first domestically produced recombinant human choriogonadotropin alfa biosimilar to launch on the market in China. It plays an important role in female infertility treatment and in-vitro assisted reproductive technology.

Recombinant human choriogonadotropin alfa has seized the market of assisted reproduction drugs, while previously the only recombinant human choriogonadotropin alfa (r-hCG) product in Chinese market was Ovidrel® from Merck Serono, with the rest being urinary-derived products. As compared to urinary-derived human choriogonadotropin alfa, recombinant human choriogonadotropin alfa has a higher level of purity and safety, whereas its price is ten times higher than domestically produced urinary-derived human choriogonadotropin alfa.

As a domestic alternative, Lidebao has shattered the previous monopoly held by the imported Ovidrel in the Chinese market, where only the original product of recombinant human choriogonadotropin alfa was available. With a price reduction of about 2% compared to the original product, Lidebao offers a more economical product choice for domestic patients.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Overseas market

When exploring and establishing its presence in overseas markets, Livzon sets equitable prices for products by fully considering the level of local economic development and medical health, developing tiered pricing strategies for different markets based on the affordability of products. Our considerations include local condition of drug production and supply, gross domestic product (GDP), level of income per capita, patient affordability, local medical system condition, product pricing of peers and other social and economic conditions.

Considering that people in emerging markets / developing countries tend to have a relatively high burden of drug costs, when promoting products in overseas underdeveloped countries and regions, we set reasonable and favorable prices based on the local development level and market conditions, and actively participate in local government biddings, striving to reduce the drug burden of local patients.

Achievements

As at the end of the Reporting Period, the Group had adopted equitable pricing policies for a total of 27 APIs and drug preparation products based on local income levels in the sales process in South Asia, Southeast Asia, South America and Africa.

At the same time, as a science-driven, patient-focused enterprise, we have an obligation to do our part to address health inequities and eliminate discrimination in healthcare. In addition, subject to quality assurance, we make every effort to select raw materials, auxiliary materials, and packaging materials with superior quality and favorable prices in our R&D process of generics and intend to replace expensive original products to reduce the financial burden on people around the world.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Overseas market *(continued)*

We adopt equitable pricing policies based on product affordability in inter- and intra-country markets.

Business segment	Equitable pricing policies based on affordability	Progress
API	• Considering the lower standard of living of people in emerging markets / developing countries as compared with developed countries, Livzon continuously reduces the production costs of APIs and sells APIs and intermediates in emerging markets / developing countries at prices lower than those in developed countries, so as to lower the drug cost of the target country's market; • In the marketing within emerging markets and developing countries, we set prices for different markets and regions based on local living standard and medical level; • Livzon adheres to the equitable pricing principle in sales for domestic markets. We provide certain price discounts to our domestic strategic cooperation partners according to the purchase volume by signing year-round supply agreements.	• Livzon has conducted business cooperation with approximately over 50 customers in India, providing 20 kinds of APIs and intermediates. Specifically, **the prices of intermediates are approximately 5%-10% lower than those of the developed countries, while the prices of APIs are approximately 15%-30% lower than those of the developed countries**; • Certain high-end antibiotic products (including Vancomycin Hydrochloride, Teicoplanin, Daptomycin, etc.) have a relatively large demand in emerging markets and developing markets. Livzon sets **an average selling price in developing countries in regions such as South America, Southeast Asia, and Africa that is approximately 10%-15% lower than that in developed countries**; • Certain veterinary drug products (such as Doramectin, Moxidectin, etc.) in major countries of South America (such as Colombia, Brazil, Uruguay, Argentina, etc.) and in certain Asian countries (such as Pakistan and Vietnam, etc.) have **an average selling price lower than that in developed countries by approximately 15%-20%**.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Overseas market *(continued)*

Business segment	Equitable pricing policies based on affordability	Progress
Drug preparation	• In developing countries, by supplying chemical generics or biosimilar drugs, Livzon provides the Asian, Africa and Latin America markets with drug preparation products that have lower prices than and achieve similar treatment effects with the patented drug preparations; • Livzon adopts a pricing structure fit for developing countries and establishes reasonable prices in line with local development levels; • Livzon waives the market licensing fee of its products in underdeveloped countries and low-income countries due to social responsibilities.	• For Recombinant Human Choriogonadotropin alfa for Injection, Livzon waived the market licensing fee for its customers in 3 countries located in West Africa, South Asia and Southeast Asia; • For Ilaprazole Sodium for Injection, its patented new drug, Livzon waived the market licensing fee for its customers in 2 Southeast Asian countries and 1 African country; • For Recombinant Human Choriogonadotropin alfa for Injection, Ilaprazole Sodium for Injection, and Urofollitropin for Injection, Livzon reduced the minimum purchase quantity requirements for customers in developing countries to improve the affordability of our products.
Reagents	• With extensive research on the end selling price of its products, Livzon allows the selling price to be both equitable and competitive; • Livzon sets more favorable prices for underdeveloped and low-income countries to alleviate the financial burden on local patients.	• Several transportation companies were inquired actively to seek the freight service with the best quote and provide the lowest cost and most cost-effective mode of transportation for customers to choose.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Overseas market *(continued)*

Pricing transparency in developed and developing markets

- Adhere to a relatively transparent and consistent pricing policy in inter-country and intra-country markets on the same level;
- Drug preparations comply with the local government's medical pricing policies in developing countries: generic's price is usually **60%-70%** of the original product's price;
- Overall market prices of APIs are relatively transparent, and customers are familiar with and understand the price level;
- Focus market sales on end preparation factories, reduce intermediate channels, improve price transparency, understand accurately the purchasing price of end customers, and reduce the cost of local drug supplies.

Pricing transparency for product portfolios sold in the United States

- In 2023, the unit price of our high-end antibiotics sold to the United States decreased by about **13%** compared to 2022;
- In 2023, the unit price of our high-end veterinary drugs sold to the United States decreased by about **3%** compared to 2022.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(continued)*

Overseas market *(continued)*

High-end antibiotic sterile production line submitted for approval to improve the affordability of APIs

According to market research, in some emerging markets and developing countries, high-end antibiotic preparations are directly bottled and manufactured into finished drugs from purchased sterile APIs. However, sterile APIs are mainly produced and supplied under the control of European suppliers, leading to high prices due to tight supply.

To change this market situation, Livzon built a new high-end antibiotic sterile API production line in 2023. Currently, it has successfully undergone the validation production of Colistimethate Sodium (多黏菌素E甲磺酸鈉) and Vancomycin (萬古霉素). The application for European CEP certificate for sterile Colistimethate Sodium has been submitted and commercial supply has begun in some emerging markets and developing countries.

We are actively promoting the end market for sterile Vancomycin, with the aim of reducing the cost of such medicines in emerging markets and developing countries, while increasing the market share of Livzon's products and easing the medication burden on global patients, benefiting more patient populations.

Establishing OEM and technology cooperation with international pharmaceutical manufacturers to reduce the cost of medicines in emerging markets and developing countries

In addition to its self-developed and self-produced pharmaceutical products, Livzon has also contributed to the improved universal access to and affordability of pharmaceutical products from Western leading brands in emerging markets and developing countries.

The production costs in Western countries have always been higher than those in China. Moreover, the growing energy crisis has indirectly led to a sharp increase in the cost of medicines in emerging markets and developing countries. Presently, the world's top animal health companies and manufacturers of pharmaceuticals for human use have begun to seek OEM projects in China to achieve a significant cost reduction and rapid completion of local registration.

Thanks to the original strategic partnership between Livzon's API enterprises and major international companies, we have established an OEM business, which will be followed up by Lijian for subsequent work. This cooperation fully demonstrates the international recognition of Livzon's products and technology, and evidences Livzon's commitment to reducing the medication burden in emerging markets and developing countries.

6.4 ENHANCEMENT OF HEALTHCARE

Livzon has accelerated its international industrial layout and established groundbreaking global cooperation and local partnerships, aiming to provide healthcare services to more people and improve healthcare quality.

We work diligently with domestic and overseas pharmaceutical peers and healthcare workers to benefit patients around the world with innovative achievements and increase public health in developing countries. While proactively deploying its global business, the Group also pays high attention to the advancement of local healthcare capacity, provides trainings for and conducts exchanges with local healthcare workers in light of local development needs, contributing to improving healthcare capacity and increasing public health.

Training of local healthcare workers

As more products enter overseas markets, the Group, in collaboration with local partners, actively provides trainings for local healthcare workers, such as sharing clinical experiences and detailing product-related knowledge and usage methods, to help improve the capacity of medical services in developing countries.

Livzon provided training on its innovative drug to healthcare workers in Indonesia

Since the launch of its innovative drug Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) in Indonesia in 2023, Livzon has conducted 8 academic training events in collaboration with local partners in Indonesia during the Year. These training events were well received by Indonesian experts. Following the experts' return to their hospitals, they led further trainings for healthcare workers in local hospitals.

In November 2023, Livzon and its partners attended the IMC 2023 in Bali, Indonesia. The conference was attended by around 300 experts from various parts of Indonesia, mainly from major cities such as Jakarta, Surabaya, and Yogyakarta, as well as major hospitals such as Darmo Hospital and Jakarta Police Hospital.

At the conference, Livzon and its partners invited one of the most renowned gastroenterologists in Indonesia to introduce the clinical advantages of Ilaprazole Sodium for Injection as a new generation PPI in the treatment of gastrointestinal bleeding. The expert also explained in detail the product's usage and precautions and received positive feedback from Indonesian experts. Subsequently, Indonesian local experts will lead more in-depth trainings for healthcare workers in local hospitals.

6.4 ENHANCEMENT OF HEALTHCARE *(continued)*

Training of local healthcare workers *(continued)*

Livzon provided training on its generic drug to healthcare workers in Uzbekistan

Urofollitropin for Injection (注射用尿促卵泡素) and Menotropins for Injection (注射用尿促性素), Livzon's assisted reproduction products, were launched in Uzbekistan in 2022, and Livzon has conducted academic training at the local Reproduction Conference.

In 2023, we engaged Chinese doctors with rich clinical experience and Uzbek reproduction experts in online academic training and communication with 8 doctors from 3 industry-leading reproduction centers invited by local partners. They discussed and provided guidance on the usage, efficacy, and clinical experience of Livzon's reproduction products. The academic training for the safe and effective use of the products was positively received by the Uzbekistan experts.

Livzon conducted clinical trial-related trainings for healthcare workers in overseas countries

In 2023, Livzon successively conducted trainings for the healthcare workers and principal investigators of LIKANG's overseas phase III clinical trials in the Philippines, Pakistan, Malaysia and other countries, mainly covering relevant regulations on vaccine registration, remote inspection process, inspection points and experience sharing. These trainings aided local healthcare workers in standardizing clinical research operations in accordance with the GCP guidelines and improving their level of standardized operations.

6.4 ENHANCEMENT OF HEALTHCARE *(continued)*

Training of local healthcare workers *(continued)*

Livzon provided training for hospital laboratory personnel

- In April 2023, we introduced the laboratory personnel of a hospital in Guangzhou to the industry developments, clinical applications, and the application of test results regarding drug concentration. It improved the hospital healthcare workers' awareness of the importance of drug concentration testing and the accuracy of test results for medication adjustment. It aided healthcare workers in understanding the significance of drug concentration projects for patients and clinical practice, and fostered communication between departments and laboratories. Consequently, this led to an improvement in clinical medication level and the diagnostic and treatment levels of the hospital, yielding positive social and medical benefits.

- In September 2023, we provided a session on the application and technical exchange of high-precision hepatitis B, hepatitis C, and HIV nucleic acid diagnosis for the molecular laboratory of a Grade A tertiary hospital in Shenzhen, Guangdong Province. The event effectively enhanced the laboratory personnel's understanding and operational proficiency in nucleic acid diagnostics for hepatitis B, hepatitis C, and HIV by disseminating the latest developments in clinical diagnosis and the standard application of new technologies related to these diseases and addressing product usage questions and precautions.

- In July 2023, we were invited to a well-known Grade A tertiary hospital in China to conduct product training and communication on autoimmune diagnostic reagents. After our easy-to-understand explanations and demonstrations, doctors highly praised our testing products for their high sensitivity and specificity. This training directly contributed to advancing the diagnostic level of autoimmune diseases within the industry.

6.4 ENHANCEMENT OF HEALTHCARE *(continued)*

Assistance to local preparation manufacturers to achieve international drug manufacturing standards

As an API supplier, Livzon has actively shared research results and transferred technologies to overseas underdeveloped countries and regions, assisted local preparation manufacturers to upgrade their manufacturing capacity to achieve their applicable international drug manufacturing standards, and assisted local manufacturers in successfully launching their products in the regulated markets such as Europe and North America.

Case: Free transfer of impurity testing methods to manufacturers in developing countries

Study of impurities is an important part of drug R&D, and any substance that affects the purity of a drug product is collectively referred to as an impurity. Whether the impurities in drug products can be reasonably and effectively controlled is directly related to the quality controllability and safety of the drug products. When applying for their preparation products against international drug manufacturing standards, our customers (i.e. preparation manufacturers) in developing countries need to comprehensively investigate the impurities in the preparation products and conduct reasonable and effective control.

Many of our preparation customers in developing countries state their difficulties in sourcing qualified impurity standards in the market, which has severely affected the progress of their R&D and submission for approval of preparations. Leveraging our strong R&D and quality analysis capabilities, we have developed proprietary methods of impurity testing to break through the technological barriers specific to impurity control and testing from European and North American suppliers or original product manufacturers.

We have transferred our impurity testing methods free of charge to the less sophisticated generic preparation manufacturers in emerging markets and developing countries and provided them with related impurity standards. This has helped preparation manufacturers in developing countries and emerging markets achieve the standards required for regulatory approval in developed countries/developing countries and assisted them in obtaining the certification of test methods, thereby accelerating the commercialization of local preparation manufacturers.

Additionally, we actively assist our preparation customers in navigating regulatory approvals and achieving product commercialization, contributing to the accelerated market launch of more generic drugs at more affordable prices. This has reduced medication costs for populations in emerging markets and developing countries, where more patients are benefited.

During the Reporting Period, with our assistance to local manufacturers, 1 local manufacturer was granted the launch approval by the local medical regulatory authority, 1 submitted a market authorization application to the local medical regulatory authority, 2 submitted ANDA applications to the US FDA, and 3 received procurement verification approval.

In addition, we have been working hard to develop large-molecule and small-molecule preparation technology transfer projects to developing countries. By exporting technology transfer scheme and analytical testing scheme to developing countries, we have helped local pharmaceutical manufacturers upgrade and improve their production process management, quality control and other links to a certain degree, which can improve the local pharmaceutical manufacturing capacity.

6.4 ENHANCEMENT OF HEALTHCARE *(continued)*

Improving pharmaceutical supply chains

We have been continuously improving the pharmaceutical supply chains in developing countries, striving to establish a compliant, safe, and efficient supply chain to ensure the safety and quality of pharmaceuticals while improving the capabilities of local suppliers in product transportation and storage. This, in turn, enables the provision of superior pharmaceuticals for overseas patients.

Abroad, we collaborate with local partners to disseminate knowledge on how to use, transport and store products in advance, imparting professional knowledge related to the pharmaceutical characteristics, temperature control, and usage to local distributors, thus promoting the improvement of the local supply chain. For the packaging and temperature monitoring of temperature-controlled products, we adapt to the local climatic conditions by employing regulatory-compliant specialized packaging materials such as foam boxes, ice packs, and film bags, to ensure product temperature stability during transportation and protect them from external temperature influences. Additionally, we place thermometers inside the product packaging to record and monitor temperatures and ensure the compliance of products throughout transportation and storage. The temperature data recorded is then provided to the local recipients.

We upgraded our sea containers from general containers to temperature-controlled containers. Meanwhile, we added GPS thermometers to monitor the transportation temperature throughout the process, which improved the temperature control conditions for drug supply. We carefully differentiate between the varying transportation requirements for raw materials, such as storage and transportation below 20°C in a light-protected environment, at 2-8°C, or at -25°C. For the specific transportation requirements of some products, such as the -25°C transportation requirement for the high-end antibiotic Daptomycin (達托霉素), we have thorough discussions with customers about transportation requirements from the onset of our cooperation and provide them with training. We ensure a door-to-door cold chain in practice with electronic temperature records and full-process monitoring to guarantee the transportation compliance and product effectiveness.

Meanwhile, through a comprehensive study of our transportation plans, we provided customers with the optimal plans to avoid poor freight transport caused by international instability, ensure stable and secure supply, and effectively help customers save transportation costs. We calculate the maximum capacity of FCL (full container load) shipments based on product packaging, and provide customers with shipping recommendations. By providing real-time product information and inventory information to customers promptly, we guarantee the timeliness of delivery while saving transportation costs and further optimizing the cost and quality of the pharmaceutical supply chains.

In addition, in order to improve the pharmaceutical supply chains in developing countries, in regard to our sales in developing countries, we try to achieve direct supply to end customers, reduce intermediaries/distributor channels, so as to reduce the purchasing cost of customers, improve the timeliness of delivery and enhance attention on downstream customers.

6.5 SUPPORT FOR POST-MARKET PHARMACOVIGILANCE

In developing countries as later starters in pharmacovigilance ("PV") work, PV progress has been much slower and many prominent problems have emerged. Therefore, Livzon's support for the establishment of a complete post-market pharmacovigilance system in developing countries is an important part of its responsibility.

During the Year, Livzon's product Recombinant Human Choriogonadotropin alfa for Injection (注射用重組人絨促性素) was successfully launched in Indonesia. Through various measures, in collaboration with local companies and the government, we actively improved the local capacity of post-market pharmacovigilance.

Before the product was marketed, we signed a Safety Data Exchange Agreement (SDEA, also known as a pharmacovigilance agreement) with our local partners to clearly define the responsibilities of both parties in, for example, the exchange and handling of the product's pharmacovigilance data and safety information, and reporting to regulatory authorities. We also established a communication mechanism and a working system for the pharmacovigilance teams of both parties, aiming to guide the public in the rational and safe use of medications and to reduce the occurrence of adverse drug reactions.

After the product was marketed, we conducted research and activities to discover, evaluate, understand and prevent adverse reactions or any other possible drug-related problems. We aimed to ensure the scientific and reasonable clinical use of the product in Indonesia after its launch and guarantee the safety of clinical medication. For example, both we and our local partner companies designated Qualified Persons for Pharmacovigilance (QPPVs) who continuously assessed emerging data throughout the product's lifecycle to manage and minimize the risks to patients. We exchanged information with our local partner companies on suspected adverse events / adverse drug reactions (AEs/ADRs) related to quality defects or counterfeit drugs, and all unexpected or expected AEs/ADEs related to the product occurring between both parties.

Therefore, by implementing the above strategies in a multidimensional and accurate manner, we have helped local companies in Indonesia develop a mature PV management experience and model and assisted them in enhancing their organizational structure and working systems for PV quality management. This has provided a strong support for the improvement of post-market pharmacovigilance in Indonesia, protected the local public from the impact of substandard or defective drugs, and fostered the sustainable development of the local healthcare system.

6.6 INVESTMENT IN TREATMENT FOR RARE DISEASES

Under the guidance of relevant policies such as the "Healthy China 2030" Planning Outline and the Guidelines for Diagnosis and Treatment of Rare Diseases, Livzon has fully leveraged on its scientific research system and capabilities to continuously increase the investment in R&D on orphan drugs for rare diseases and actively cooperated with the state to establish a two-way mechanism for R&D of orphan drugs for rare diseases, in an effort to improve the clinical status of rare diseases in China and improve the accessibility of innovative therapeutic drugs for patients with rare diseases.

Malignant hyperthermia

Malignant hyperthermia, a rare disease, is an inheritable muscle disease, with extremely high mortality rates once developed, while dantrolene sodium is the only specialized drug for treatment. Due to its R&D difficulty, small patient population, and thin profit margins, there has been no enterprise in China for the development and manufacturing of dantrolene sodium in the past 40 years.

Undertaking the corporate mission of "prioritizing the quality of life of patients", Livzon spent so many years on self-development of Dantrolene Sodium for Injection (注射用丹曲林鈉), which is indicated for the prevention and treatment of malignant hyperthermia. As our exclusive product, Dantrolene Sodium for Injection[1] was granted the launch approval in October 2020, saving Chinese patients with malignant hyperthermia from a condition of no drug available for use and solving the problem of clinical drug shortages in China. Over the years, our project "Establishment, Promotion and Application of Malignant Hyperthermia Diagnosis, Treatment and Assistance System" won the first prize of the 2021 (7th) Beijing Medical Science and Technology Award and the first prize of the 2022 Huaxia Medical Science and Technology Award.

Given the relatively rare clinical symptoms of malignant hyperthermia, there has been insufficient experience in the clinical rescue of malignant hyperthermia in China. After communication with the China Anesthesia Quality Control Center, Livzon assisted in facilitating the joint establishment of a malignant hyperthermia simulation exercise mechanism, allowing more anesthesiologists to understand malignant hyperthermia. In addition, Livzon called for the inclusion of Dantrolene Sodium for Injection as a mandatory drug for clinical resuscitation, actively promoted hospitals with clinical needs to store Dantrolene Sodium for Injection, in order to raise clinical response efficiency as much as possible, gain effective control of malignant hyperthermia, and save the lives of more patients with malignant hyperthermia.

[1] Dantrolene Sodium for Injection is the first generic drug in China's mainland, whose patent medicine is Dantrium® by Par Sterile Products LLC, an American Company.

6.6 INVESTMENT IN TREATMENT FOR RARE DISEASES *(continued)*

Malignant hyperthermia *(continued)*

Achievements

- **As at the end of the Reporting Period, 52 hospitals in China had included Livzon's Dantrolene Sodium for Injection (注射用丹曲林鈉) in their drug stockpile, covering approximately 67% of provincial districts in China.**
- **As at the end of the Reporting Period, the sole public hospital in Macao had included Livzon's Dantrolene Sodium for Injection in their drug stockpile, extending its coverage throughout the entire Macao region.**
- **During the Reporting Period, Livzon co-hosted a total of 6 academic activities related to malignant hyperthermia, further standardizing the clinical use of Dantrolene Sodium for Injection through sharing and exchange with the industry experts.**

Acromegaly

Acromegaly is a rare chronic progressive endocrine metabolic disease with covert clinical performances, which leads to common occurrence of delayed diagnosis and significant increase in complication rate and treatment difficulty. Octreotide acetate is a synthetic octapeptide compound, which is currently clinically used on acromegaly and gastrointestinal tract secretory tumor. The drug is poorly absorbed orally but can be quickly and completely absorbed using subcutaneous and intravenous doses. Octreotide Acetate Microspheres for Injection (注射用醋酸奧曲肽微球) independently developed by Livzon can achieve the sustained release effect of 1 month. It was in BE trials as at the end of the Reporting Period.

This product is a generic drug of Sandostatin® innovatively developed by Novartis. Although Sandostatin® is covered by the national medical insurance catalogue of China, its price is still relatively high, exerting a great financial pressure and burden to patients and the national medical insurance system. Therefore, given the actual clinical demand and social responsibility, we started to develop the generic version of Sandostatin®, hoping to provide a quality and efficacy assured generic product as soon as possible to improve the current situation of medication for patients and improve the affordability of medication for patients.

Based on the preclinical data available, the pharmacokinetic characteristics and safety profile of Octreotide Acetate Microspheres for Injection are largely consistent with that of Sandostatin®. In the future, we expect to provide patients with a clinical treatment option that is not inferior to the original product of Sandostatin® in both quality and treatment results.

6.6 INVESTMENT IN TREATMENT FOR RARE DISEASES *(continued)*

Thymic epithelial tumors

Thymic epithelial tumors are tumors derived from thymic epithelial cells, including thymoma and thymic carcinoma, which are rare primary mediastinal tumors. Thymic epithelial tumors accounted for approximately 0.2% to 1.5% of all malignant tumors, among which thymoma has an annual incidence rate of about 1.5 per 1 million while thymic carcinoma is much rarer with an annual incidence rate of about 0.3-0.6 per 1 million.

Because of the rarity of thymic carcinoma, currently, there are no large prospective randomized clinical trials providing definitive evidence-based treatment for this tumor. Most patients with thymic carcinoma are already presenting with invasive or metastatic manifestations at the time of first detection, and are usually at an intermediate to advanced stage at the time of diagnosis. Characterized by extremely poor prognosis, high recurrence rate and rapid progression, thymic carcinoma is a disease that severely endangers life or significantly impairs the quality of life, and thus presents substantial unmet clinical needs.

LivzonBio's Lipustobart for Injection (注射用利普蘇拜單抗) ("LZM009"), a recombinant humanized anti-PD-1 monoclonal antibody, can inhibit or activate the receptor by targeting regulatory proteins, thus exhibiting enhanced immune response and having an effect of tumor therapy.

As at the end of the Reporting Period, LZM009 had completed the enrollment of subjects for a phase II clinical trial targeting advanced thymic carcinoma patients, including a total of 69 advanced thymic carcinoma subjects. It is the largest known study to date for thymic carcinoma samples in China and involves the uses of IRC independent imaging evaluation data for the evaluation of endpoint criteria.

Clinical outcomes indicate that the phase II study has met its pre-defined primary clinical endpoints. LZM009 demonstrates good efficacy and safety in treating patients with recurrent or metastatic thymic carcinoma who have failed first-line chemotherapy, offering certain clinical advantages over other protocols mentioned in treatment guidelines. Therefore, it provides a more safe and effective treatment regime for patients with recurrent or metastatic thymic carcinoma following first-line chemotherapy failure.

In addition, in November 2021, LivzonBio granted a non-exclusive, royalty-bearing license to Bright Peak Therapeutics, Inc. for LZM009 with proprietary intellectual property rights, for its development of novel PD-1 targeted immune cytokines (PD-1 ICs), providing more possibilities for further commercialization in the future.

6.6 INVESTMENT IN TREATMENT FOR RARE DISEASES *(continued)*

Systemic Juvenile Idiopathic Arthritis (sJIA)

Systemic Juvenile Idiopathic Arthritis (sJIA) is a rare chronic systemic disease that typically manifests before the age of 16. It is primarily characterized by persistent joint pain and swelling lasting for 6 weeks or more, accompanied by damage to other tissues and organs. sJIA represents the most severe subtype of Juvenile Idiopathic Arthritis (JIA), with an incidence rate in China of approximately one in ten thousand.

In January 2023, the Tocilizumab Injection (托珠單抗注射液) ("Atvtia"), developed by LivzonBio, was approved for market launch in China's mainland, with the approved indication for rheumatoid arthritis (with a prevalence rate of 0.42% in China). In May 2023, following a supplemental application for new indications, Atvtia was granted approval by the NMPA to include two additional indications: Systemic Juvenile Idiopathic Arthritis (sJIA) and Cytokine Release Syndrome (CRS). Consequently, Atvtia has received approval for all three indications for the original product in China (the original product, Actemra®, is the first humanized monoclonal antibody targeting IL-6 receptor to launch on the global markets, and was officially included in China's National Medical Insurance Catalogue in August 2019).

As early as 2013, the American College of Rheumatology (ACR) guidelines recommended the use of tocilizumab for treating child patients with active systemic features of sJIA or active sJIA who have failed initial treatment. In China, it is recommended for children aged 2 years or older with sJIA, either as a monotherapy or in combination with methotrexate. In treating children with sJIA, Tocilizumab injection is characterized by its rapid onset and sustained efficacy, swiftly improving disease activity in child patients, promptly controlling disease progression, and aiding child patients in catch-up growth and reducing joint structural damage. This offers a new targeted option for the treatment of sJIA.

Atvtia is a Tocilizumab monoclonal antibody drug developed on the basis of biosimilars with Tocilizumab (Actemra®) of Roche as the reference drug. Comprehensive studies have demonstrated that Atvtia is highly similar in terms of quality, safety and efficacy to Actemra®, the reference drug, thereby offering sJIA patients an additional treatment option.

6.7 RATIONAL USE OF DRUGS

Livzon has acknowledged resistance to antibiotics as one of the major public health risk themes worldwide. Bacterial and fungal resistance has become a major challenge for current global public health. Drug-resistant bacteria and fungi pose a growing threat to human health. Various factors have led to a decrease in the sensitivity of the patient population to antibiotics, especially hospital-acquired infections caused by certain multi-drug resistant and pan-drug resistant bacteria and fungi, making clinical treatment even more difficult.

To address tantibiotic resistance and resistance to other antimicrobials, Livzon is actively taking measures from four aspects: drug R&D, clinical use of antibiotics, pharmacovigilance and industry exchange, all aimed at halting the global spread of antibiotic resistance.

- For drug R&D, we are actively conducting R&D to address resistance in gram-negative bacteria and fungi. We have collaborated with relevant parties on related R&D to develop new antibiotic products.

- In the clinical use of antibiotics, we attach great importance to reasonable clinical use of antibiotics and advocate for prudent and rational use of antimicrobial drugs such as antibiotics. With regard to the Company's anti-infection series of products such as Voriconazole for Injection（注射用伏立康唑）and Cefodizime Sodium for Injection（注射用頭孢地嗪鈉）, we strictly abide by administrative measures and clinical medication guidelines, such as the Administrative Measures for the Clinical Application of Anti-bacterial Drugs, the Notice on Further Strengthening the Management of Anti-Microbial Drugs to Suppress Drug Resistance, and the Instructions for Clinical Medication in Pharmacopoeia of the PRC. In combination with the Directories for the Classification Management of Clinical Application of Anti-bacterial Drugs consecutively printed out by various provincial and autonomous regions, we continuously strengthen the management on prescription drugs in the process of drug operation, cooperate with medical institutions in implementing management of classification of anti-bacterial drugs and doctor's prescription authorities, and provide correct guidance on the use, dosage, and administration methods of antibiotics.

  According to the requirements of diagnosis related groups (DRG), we streamlined evidence-based evidence related to products (guidelines, pathways, consensus, literature, etc.), providing reference information with higher value for accurate treatment of anti-infection and assisting to reduce the indiscriminate use of antibiotics.

  In addition to strict compliance with the classification management system of the clinical application of anti-bacterial drugs, and implementation of the regulations of non-restricted application class, restricted application class and specialized application class, we also actively cooperate with hospitals to control the indiscriminate use of antibiotics, assist hospitals in the control of drug-resistant bacteria, and carry out trainings and lectures on optimization of the treatment plan of drug-resistant bacteria, devoting to improving the level of clinical use of anti-bacterial drugs and reducing the incidence of indiscriminate use of antibiotics.

6.7 RATIONAL USE OF DRUGS *(continued)*

- For pharmacovigilance, we have formulated pharmacovigilance plans for our antibiotic products and conduct post-approval pharmacovigilance activities. We collect comprehensive clinical medication and safety information for our antibiotic products through hotlines, websites, faxes, literature searches, regulatory feedback and other channels, for the purpose of real-time and continuous monitoring, and we proactively report to the regulatory authorities. We also pay attention to the safety and effectiveness data of similar antibiotics.

  To ensure that safety information about our products is comprehensively and accurately communicated to patients, we stay updated with the Pharmacovigilance Express published by the Center for Drug Reevaluation, NMPA (National Center for ADR Monitoring, China), actively respond to requests for revisions to product package inserts, and timely revise the package inserts of our products as per the requirements of the NMPA's announcement on package insert revisions, ensuring the timely update of safety information.

  Additionally, through our hotlines, we offer free medication consultation services to patients, pharmacists and doctors, to promote the knowledge related to the rational use of antibiotic drugs.

- For industry exchange, we participated in more than 30 national-level academic conferences in the field of anti-infection, where we engaged in in-depth discussions with clinical experts and scholars from various fields, further advocated for the rational and standardized use of antibiotics, and jointly explored solutions to antibiotic resistance.

6.7 RATIONAL USE OF DRUGS *(continued)*

Drug R&D – addressing the problem of antibiotic resistance and resistance to other antimicrobials

R&D to address drug resistance of gram-negative bacteria

Currently, drug resistance of gram-negative bacteria is a rather serious issue. According to research, the top five common strains of domestic clinical infections are all gram-negative bacteria. Polymyxin（多黏菌素）is an important drug for treating gram-negative bacteria infections with multidrug resistance (MDR). Polymyxin has low drug resistance rate and strong antibacterial activity, and is effective to various kinds of gram-negative bacteria such as escherichia coli, klebsiella and enterobacter. Polymyxin is the last defending line of gram-negative bacteria with multidrug resistance where treatments of antibiotics such as beta-lactam, aminoglycosides or Quinolone are ineffective.

As at the end of the Reporting Period, Livzon was carrying out the R&D on Polymyxin products. Specifically, Colistimethate Sodium（多黏菌素E甲磺酸鈉）, our chemical generic API, received the European CEP certificate and passed the review of FDA; we submitted regulatory dossiers for the API of the product in China and were currently in the process of registration review; at the same time, Polymyxin preparations were undergoing the research on formulation technology. We will promote the market launch of this variety as soon as possible, so as to provide new solutions for the drug resistance problem which becomes more and more serious in China.

R&D to address fungal resistance

During the past few years, as the number of people with immunodeficiency and tumor chemotherapy increased, the cases of invasive fungal infection also increased gradually. Currently, there are mainly 3 types of antifungal drugs on the market, namely polyenes, azoles and echinocandins. After years of clinical application, antifungal resistance has become more and more serious, leading to a very limited number of clinical applicable drugs.

Livzon was currently conducting the R&D on a class 1 new drug with brand new mechanism of action and target, targeting fungal-specific enzymes. The target has low homology with the human body, has good safety potential, and is promising to combat fungal resistance with a brand new mechanism of action. As at the end of the Reporting Period, the project had completed the identification of lead compounds and was in the lead compound optimization phase.

6.7 RATIONAL USE OF DRUGS *(continued)*

Industry exchange – national academic conferences in the area of anti-infection

Livzon proactively promotes industry communication and contributes to improving the development of anti-infection disciplines. During the Year, we participated in over 30 national-level academic conferences in the field of anti-infection, covering areas such as respiratory infection, deep mycosis infection, and bacterial infection. We invited experts to report on new developments in product R&D and had in-depth communications and exchanges with clinical experts in the fields of infection, respiratory, hematology, ICU, organ transplantation, dermatology, etc., and with scholars engaged in microbiological basic research, so as to jointly promote the development of medical technology.

In addition, we organized more than 40 online trainings on topics such as "Correct Use of Vancomycin" and "Correct Use of Voriconazole" for our internal employees (including sales and marketing personnel). These trainings were aimed at bolstering the product knowledge of internal employees, improving their understanding of the rational use of Livzon's antibiotic products to ensure their proper promotion of standard use of antibiotic products, thereby reducing the occurrence of antibiotic resistance from the usage phase.

Addressing neglected tropical diseases

Livzon's antibiotic products have been widely recognized and applied in clinical practice by professionals in the industry.

In 2023, Livzon's antibiotic products (including Voriconazole for Injection（注射用伏立康唑）, Cefodizime Sodium for Injection（注射用頭孢地嗪鈉）, and Vancomycin Hydrochloride for Injection（注射用鹽酸萬古霉素）, etc.) used to treat deep mycosis (a "neglected tropical disease" as defined by the World Health Organization) were made available in approximately **1,600 medical institutions** at all levels, benefiting around **100,000 patients** in China.

During the Year, we participated in over 30 national-level academic exchange conferences, covering areas such as deep mycosis infection, respiratory infection, and bacterial infection. At these conferences, Livzon and other medical professionals explored the rational application of antibiotics such as Voriconazole for Injection, Cefodizime Sodium for Injection and Vancomycin Hydrochloride for Injection, committed to contributing to the treatment of neglected tropical diseases such as deep mycosis.

7

PRODUCT RESPONSIBILITY

Livzon stays committed to the mission of "prioritizing the quality of life of patients", adheres to the quality values of "being scientific and compliant, improving continuously, pursuing excellence, striving to provide patients with high-quality products", and places high value on patients' drug safety.

7.1 QUALITY MANAGEMENT SYSTEM

Livzon strictly follows the requirements of laws and regulations, such as the Drug Administration Law of the PRC, the Vaccine Administration Law of the PRC, the Provisions for Drug Registration, the Provisions for the Supervision and Administration of Drug Manufacturing, the Provisions for the Change Management of Post-approval Drugs (Interim), the Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products, the National Medical Products Administration Announcement on Strengthening Supervision and Management of Contract Manufacturing by Marketing Authorization Holder, the Regulations on the Supervision and Administration of Marketing Authorization Holder Implementing Main Responsibility of Drug Quality and Safety, the Good Laboratory Practice, the Good Clinical Practice, the Good Manufacturing Practice, the Good Supply Practice, the Good Pharmacovigilance Practice, the Regulations on the Supervision and Administration of Medical Devices, the Regulations on the Administration of Veterinary Drugs, and the Good Manufacturing Practice for Veterinary Drugs, and has formulated systems, such as the Quality Management System, the Administrative Procedures for Quality Internal Audit, and the Management System for Marketing Authorization Holder to continuously implement the responsibility as an enterprise.

The Group has established a quality management system covering the entire life cycle of R&D, production and sales of products to ensure that the quality and safety of the product throughout the entire life cycle is controllable, and meet all the requirements of quality management systems (GLP, GCP, GMP, GSP and GVP) in the industry as well as relevant laws and regulations. During the Year, we have continued to improve the quality management system and pharmacovigilance system for the entire product life cycle (product R&D, product manufacturing and product distribution), and kept refining the quality management model. In particular, we have revised our quality management documentation, including the Verification Management System, Deviation Management Procedures, and Change Management Procedures. We have refined over 700 SOPs, such as job-specific SOP and cleaning SOP, and implemented more than 1,100 verification activities.

7.2 QUALITY RISK MANAGEMENT

Livzon attaches great importance to the medication safety. Adhering to the quality concept of "scientific risk assessment and control as the basis of quality management", Livzon conducts quality risk management (QRM) throughout the entire product life cycle such as product R&D, technology transfer, commercial production, product circulation and termination in accordance with external quality management standards and internal management systems such as the Administrative Procedures for Quality Risks. Risks are reviewed at a minimum frequency of once per year to ensure that risks are continuously controlled and improved.

QRM Policy of Livzon

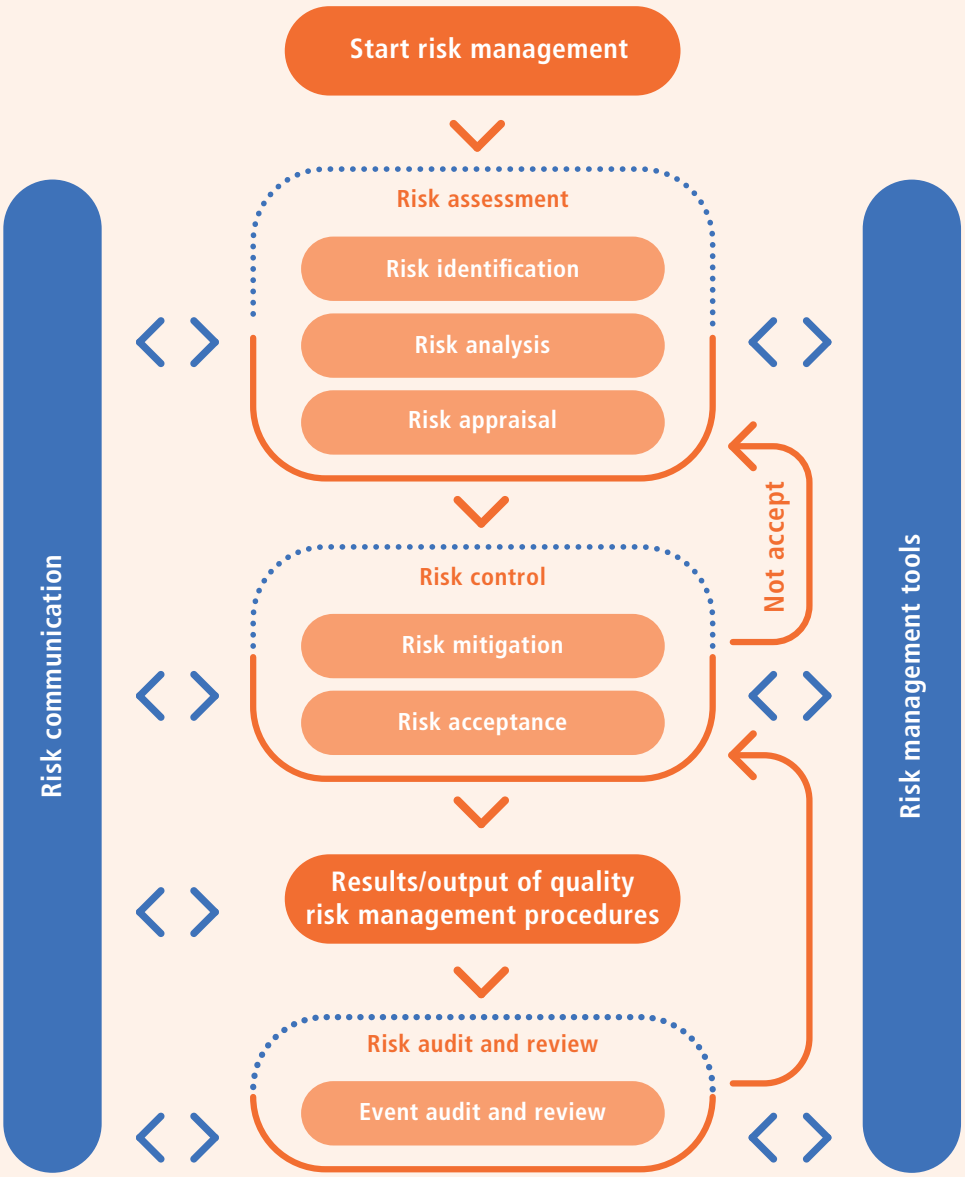
From the perspective of patient safety, we, based on scientific knowledge, strive to properly identify and control the risks of factors involved in the product life cycle, implement dynamic risk management, and rationally allocate resources to achieve continuous risk control and continual improvement.

7.2 QUALITY RISK MANAGEMENT *(continued)*

Quality risk management of the Group is divided into risk assessment, risk control, risk communication and risk audit and review and other processes. Among them, risk communication runs through the entire risk management process.

We identify quality risks in an all-round way through sources, such as deviation reports, change control, quality complaints, adverse reaction information, trend analysis for product quality review, and inspections on continuous product stability. Secondly, we analyze and estimate the identified risks and their problems, confirm the possible consequences of the problems and the possibility of the occurrence, and issue a quality risk assessment report based on the system risk assessment form. We then determine the control measures to reduce the quality risk according to the risk level, and take corrective actions and preventive actions (CAPA) when necessary; after implementation of the risk mitigation measures and reassessment, the quality risk management team makes a decision on whether to accept the residual risk.

Quality Risk Management Process of Livzon



7.2 QUALITY RISK MANAGEMENT *(continued)*

Contingency plans and risk mitigation systems

In response to potential emergencies that may arise during the production process, we have established management systems, such as the Contingency Plan for Environmental Emergency, the Management System for Hazard Investigation, and the Contingency Plans for Work Safety. We organize emergency drills quarterly to ensure the continuity of production and the safety of our employees in the event of an emergency. Additionally, to address the risk of production stoppages due to safety and environmental factors, we have implemented various measures such as adding efficient and energy-saving RTO (Regenerative Thermal Oxidizer) facilities, upgrading transformers to increase electrical load capacity, and installing lightning protection facilities to enhance production safety and ensure production continuity. Meanwhile, we mandate daily inspections of safety and environmental protection facilities at all job positions and organize monthly comprehensive inspections of safety and environmental protection by professionals; we also establish a hazard record and track corrections.

To address the risk of supply disruption of upstream raw materials and auxiliary materials due to factors such as market competition, monopolies, safety, and environmental protection, and to ensure production continuity, we have adopted a dual sourcing strategy. By increasing the number of critical raw material suppliers in different regions, we try our best to make sure that each material has at least 2-3 suppliers to secure stable material supply. For example, due to a tight supply of a critical raw material for Cefuroxime Sodium（頭孢呋辛鈉）, we have selected suppliers of this critical raw material with top-ranking production capacity scales, added major suppliers from Jilin Province, Shandong Province, Inner Mongolia Autonomous Region, and Anhui Province, and signed annual strategic cooperation agreements with main partners; moreover, based on the market sales order situation of the product, we have increased the inventory of this critical raw material in advance to ensure the stable production of Cefuroxime Sodium.

In addition, to address the risk of supply disruption of critical raw materials, we have engaged in the research and development ("R&D") of processes for some critical raw materials and reserved in-house production technology to promptly respond to this risk.

Meanwhile, considering safety and environmental concerns in API product manufacturing, the locations of our current manufacturing sites may not be suitable for long-term production due to surrounding developments. In response to this risk, we have taken the measure of adding back-up manufacturing sites. For example, Livzon Hecheng in Zhuhai, Guangdong Province, has established a new manufacturing site in Henan Province. This enables the simultaneous production and supply of key varieties at two locations, effectively reducing production and supply risks.

7.3 R&D QUALITY MANAGEMENT

Livzon keeps deepening its quality management by extending the scope of quality management from post-market to the R&D stage to realize quality control throughout the entire product life cycle.

7.3.1 Quality management of pharmaceutical R&D

The pharmaceutical R&D centers of the Group have established and operated a quality management system for pharmaceutical R&D in accordance with the GXP[1], ICH[2] guidelines and relevant registration regulations. The Company's quality management head office conducts simulated on-site registration verification (simulated on-site inspection of pharmacological R&D and production) at key points of drug preparation projects under R&D to assist marketing authorization holders ("MAHs") in fully identifying the risks before product approval, promotes the establishment and effective operation of the R&D quality system in a problem-oriented approach, and takes risk control measures to ensure the smooth application of the projects as scheduled.

During the Year, the quality management head office of the Company conducted 10 audits on drug preparation projects under R&D, including 5 registration simulation inspections and follow-up inspections specifically focused on the Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) project. Based on the requirements of API R&D management and technology transfer documents, the Group's API enterprises conducted 6 self-inspections on the R&D sites for various varieties such as Aripiprazole (阿立哌唑), Polymyxin B Sulfate (硫酸多黏菌素B), and Semaglutide (司美格鲁肽).

At the same time, the Company has conducted quality control on the whole process of medical device product R&D, established control procedures for the design and development of medical device products, clarified the requirements, interfaces and evaluation activities for different stages of product project establishment, design planning, design input, design output, design conversion, design verification, design validation, etc., and applied the requirements of risk management for medical devices (ISO 14971) to the whole process of product R&D to reduce the quality and safety risks of products.

During the Year, the Company conducted audits on the compliance requirements of the R&D process of medical device products by stages according to the project progress, and conducted a total of 14 audits in 2023.

1 GXP represents Good X (Agriculture, Laboratory, Clinical, Manufacturing, Supply) Practices, collective name for the Good Agricultural Practice for Chinese Crude Drugs, the Good Laboratory Practice, the Good Clinical Practice, the Good Manufacturing Practice, and the Good Supply Practice.

2 ICH refers to the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use.

7.3 R&D QUALITY MANAGEMENT *(continued)*

7.3.2 Quality management of clinical trial

The Company has established and continuously optimized a clinical trial quality management system covering the whole process of clinical trials. During the Reporting Period, all R&D units of the Group conducted clinical trials properly in strict compliance with the documents of the clinical trial quality management system and ensured that the Group's clinical trials complied with the requirements of the Good Clinical Practice, the Good Clinical Practice for Medical Devices and relevant regulations.

The Group applies the ICH Q10 pharmaceutical quality system to the management of clinical research, with reference to the Quality Management System–Requirements (GB/T 19001-2016), and, combining clinical quality management practices, creates a cQMS[3] in line with the Company's management process, which provides a comprehensive quality management system for clinical R&D and ensures that the cQMS of the clinical departments is aligned with the strategic goals of the Company. At the same time, we keep improving the cQMS system documents according to the latest regulatory requirements related to clinical trials.

To improve the process management and quality control of clinical trial projects, the clinical research quality management department supervises the formulation of quality risk management plans for each R&D project and implements quality management in diversified forms, including inspection plans, joint inspection plans, quality control plans, audit plans, third-party audit plans and medical inspection plans, and determines the times and frequency of performing audits according to the characteristics of projects. The clinical research quality management department requires completion of corrections for the risks found in the audits within a limited time period, so as to ensure that the clinical research fully meets the legal requirements and industry standards.

For drug clinical trials, the clinical research QA department of the Company formulates audit plans and procedures based on the type and complexity of clinical trials, and the level of risks that affect subjects. According to the progress of the clinical trial projects, it organizes clinical audits at different stages, supervises the trial quality throughout the entire process, and evaluates the implementation of clinical trials and compliance with laws and regulations, so as to proactively identify potential project problems and prevent recurrence of problems, protect the rights and interests and safety of subjects, and ensure the truthfulness and reliability of clinical trial results. The API products produced by the Group's API enterprises are all in accordance with related regulatory requirements, such as the Good Manufacturing Practice and the Good Clinical Practice to ensure the truthfulness, accuracy, completeness, and traceability of information throughout the clinical trial process.

The Company conducts at least one quality audit for each clinical research project undertaken by all the R&D centers of the Group.

As at the end of the Reporting Period, in accordance with the existing annual audit plan, the clinical research QA department of the Company conducted 46 audits on 12 clinical trial projects of the Group, which involved 35 clinical trial institutions and 5 biological sample analysis units. As a sponsor, the Group achieved quality supervision and management throughout the process of clinical trials by audits, thereby further ensuring the quality of clinical trials and continuously preventing and controlling compliance risks.

[3] cQMS is Clinical Quality Management System.

7.3 R&D QUALITY MANAGEMENT *(continued)*

7.3.3 External regulation

Livzon has 2 API R&D centers, 7 drug preparation R&D centers, 1 in vitro diagnostic reagent R&D center and 1 veterinary drug R&D center. During the Year, the R&D centers of the Group accepted 32 inspections from external regulatory agencies, and there were no major or serious defects.

Type of product	Inspections by external regulatory agencies accepted by the R&D centers of the Group in 2023
Drug preparation	• 1 variety passed the registration inspection • 3 varieties confirmed exemption from pharmaceutical on-site inspection
In vitro diagnostic reagent	• 3 on-site inspections of registration of medical devices
API	• 2 varieties passed the registration on-site inspection • 9 varieties passed the inspection of the new production scope for pharmaceuticals for human use • 8 variety passed the GMP compliance inspection by the Guangdong Provincial Medical Products Administration • 4 varieties passed the API inspection for EU export • 1 variety passed the GMP recertification inspection by Mexican authority • 1 variety passed the GMP daily inspection by the Zhuhai Municipal Administration for Market Regulation

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING

For quality management of product manufacturing after market launch, the Group has established a quality management system for the Group's manufacturing in accordance with the requirements of the Chinese GMP, aligning continuous improvement with international standards. All (100%) of the Group's manufacturing enterprises have fully implemented this management system to strictly control product quality. In addition, the Group's API manufacturing enterprises have also implemented the quality management system in accordance with the requirements of ICH Q7, US cGMP and EU-GMP.

7.4.1 Registration and certification

As at 31 December 2023, the product registration, national certification and GMP compliance status of the Group are as follows:

Product Registration, National Certification and GMP Compliance Status of Livzon

Item		Work of drug preparations in 2023
International registration		39 registration projects were completed in 12 countries/regions for 23 specifications of products
Domestic registration		152 products were registered domestically
International certification	Internationally certified varieties	3 varieties obtained international certification
	Internationally recognized certificates	3 internationally recognized certificates within the validity period were obtained
GMP compliance status of production lines		A total of 52 production lines were GMP compliant

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.1 Registration and certification *(continued)*

Product Registration, National Certification and GMP Compliance Status of Livzon *(continued)*

Item		Work of APIs in 2023
International registration		167 registration projects were completed in 103 countries/regions for 36 products
Domestic registration		58 products were registered domestically
International certification	Internationally certified varieties	14 varieties obtained international certification for on-site inspections
	Internationally recognized certificates	27 internationally recognized certificates within the validity period were obtained (including: 5 certificates for FDA on-site inspections, 14 CEP certificates, 1 EU GMP certificate, 3 Japanese GMP certificates, and 1 Mexican GMP certificate, 1 Brazilian GMP certificate, and 2 South Korean GMP certificates)
GMP compliance status of production lines		A total of 74 production lines were GMP compliant
ISO quality management system certification		• 3 enterprises were certified to GB/T 19001-2016/ISO 9001:2015 Quality Management System Certification • 1 enterprise was certified to ISO 22000:2018 Food Safety Management System Certification

Item		Work of in vitro diagnostic reagents in 2023
International registration		27 registration projects were completed in 40 countries/regions for 25 products
Domestic registration		147 products were registered domestically (7 drugs with 9 certificates, 140 medical devices)
International certification	Internationally certified varieties	10 varieties obtained international certification
	Internationally recognized certificates	5 internationally recognized certificates within the validity period were obtained
GMP compliance status of production lines		A total of 2 production lines were GMP compliant
ISO quality management system certification		1 enterprise was certified to ISO 13485:2016 Quality Management System Certification for Medical Devices

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.2 External regulatory inspections

Livzon has 7 drug preparation enterprises, 5 API enterprises and 1 in vitro diagnostic reagent enterprise. In 2023, Livzon accepted a total of 70 inspections from external regulatory agencies and there were no serious defects.

Inspections by External Regulatory Agencies Accepted by Livzon

Type of enterprise	Inspections by external regulatory agencies accepted by the Group in 2023
Drug preparation manufacturing enterprises	Drug preparation enterprises accepted a total of 42 inspections from drug regulatory agencies. All inspections were passed smoothly: • 5 license inspections (mainly new manufacturing sites, etc.) • 14 routine inspections (mainly GMP compliance inspections and daily supervision inspections on MAHs and drug manufacturing enterprises, unannounced inspections on the varieties under centralized procurement and daily supervision inspections on relevant standards by drug regulatory agencies) • 18 other inspections (mainly special inspections of vaccines, special inspections of biological products, special inspections of psychiatric drugs, special inspections of drug safety, special inspections of pharmacovigilance and packaging materials, etc.) • 5 unannounced inspections
API manufacturing enterprises	API enterprises accepted a total of 21 inspections from drug regulatory agencies. All inspections were passed smoothly: • 5 license inspections (addition of new varieties for production, changes in production scope of license, etc.) • 10 routine inspections (9 GMP compliance inspections and 1 daily supervision inspection) • 2 on-site inspections of registration of pharmaceuticals for human use • 1 GMP recertification inspection by Mexican authority • 1 EU export certification inspection • 2 on-site sampling and inspections of veterinary drugs
In vitro diagnostic reagent enterprise	In vitro diagnostic reagents (drugs) accepted 1 inspection from drug regulatory agencies. The inspection was passed smoothly: • 1 unannounced inspection of drugs
	In vitro diagnostic reagents (medical devices) accepted a total of 6 inspections from medical device regulatory agencies. All inspections were passed smoothly: • 1 annual audit of ISO 13485:2016 Quality Management System Certification for Medical Devices • 1 MDSAP (Medical Device Single Audit Program) certification audit • 2 daily supervision audits of medical devices • 1 unannounced inspection of medical devices • 1 on-site assessment of risk monitoring

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process

All of the Group's manufacturing enterprises conduct regular certification on key production facilities and realize comprehensive quality control in the production process by means of monitoring key parameters in the production process, performing intermediate product quality control and finished product control on our existing products, etc. The main principles we abide by are as follows:

- **Certification on key production facilities:**
    - For facilities with clear regulations, such as sterilization cabinets and air-conditioning systems, the recertification cycle strictly follows the regulations;
    - For facilities without clear regulations, such as labelling machines and packaging machines, recertification assessments are conducted annually to determine whether recertification is necessary for the current year;
    - If changes to the facilities occur, the results of the change risk assessment are used to determine whether to conduct recertification. Facilities recertification is included in the annual certification master plan for management. The quality management officer is responsible for the final approval of the certification master plan, certification plan and reports.

  During the Year, all (100%) of the Group's key production facilities were certified to an in-house testing standard.

- **Intermediate process control:** According to the key quality attributes of products, the critical process parameters and key process parameters of the product process are assessed, and the items, standards and frequencies of the intermediate process monitoring are determined according to the parameters. Risks are controlled in advance through process control, turning post-event processing into beforehand prevention, so as to ensure the continuous and stable compliance of final products with the registration requirements.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process *(continued)*

- **Quality control of intermediate products and finished products:** Based on the production process, internal quality control standards for finished products and the requirements of registration standards for finished products, the scope of inspection items and standards to be controlled are determined and quality standards for intermediate products are formulated to meet the requirements of registration standards.

- **Testing of finished products:**

  - In accordance with the national drug standards, drug registration standards, and relevant regulatory requirements, we have developed internal quality control standards for finished products, some of which are even stricter than national drug standards and drug registration standards.

  - For testing equipment and facilities: We are equipped with instruments and equipment that match the production scale, variety, and testing requirements of our products for in-house testing, including high-performance liquid chromatographs, ultra-high performance liquid chromatographs, gas chromatographs, inductively coupled plasma mass spectrometers, total organic carbon analyzers, as well as clean rooms that meet GMP specifications.

  - For testing personnel: We have professional in-house testing teams responsible for conducting comprehensive testing on various products produced by the Group. These tests cover raw material inspection, production process monitoring, finished product quality testing, and other aspects to ensure compliance of our products with relevant standards and regulatory requirements. The inspectors test the materials and products based on the Company's internal control standards in accordance with the corresponding quality standards and testing procedures, and then issue a compliance certificate for the qualified persons to release them before they are put into use or put on the market.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process *(continued)*

At the same time, we pay close attention to publicly available information, such as official announcements from the NMPA, media reports, and foreign official announcements, to see if there are any emerging quality/safety concerns involving a certain type of products or materials. If any concerns are identified, we will promptly take relevant measures to ensure product quality and safety, as described below:

Relevance assessment:

- If relevant information about emerging quality/safety concerns that may involve a certain type of products or materials is found, after verifying the authenticity of the information, we will immediately engage the quality, technology, production and other relevant departments in a preliminary assessment of the products or materials to determine the degree and scope of the influence.

Extended investigation:

- Once the scope of influence is determined, we will send a letter to the supplier involved for investigation; if the supplier has conducted relevant research and assessment, we will collect relevant data as a basis for further assessment.

Quality research:

- According to the results of the relevance assessment, we conduct entrusted inspections of influencing factors, quality research tests, etc.

Quality risk assessment:

- According to the relevant information obtained from the extended investigation of the supplier, together with the data from the quality research conducted, we will proceed with a quality risk assessment to determine whether risks are introduced into the relevant modules and the acceptability of the risks.

Precautionary and corrective actions:

- If, after the quality risk assessment, it is confirmed that emerging quality/safety concerns may pose a relatively large influence on the products or materials with a relatively high-risk level, we will take appropriate corrective and precautionary actions, such as raising quality standards, improving processes, and optimizing formulations; we will recall the products if necessary.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process *(continued)*

The Group remains mindful of the risk of product quality. We actively conduct precautionary testing for emerging quality/safety concerns. We organize quarterly quality analysis meetings for product review analyses to preemptively identify potential quality and safety risks of products, and formulate corresponding quality control plans.

Case: Conducting precautionary testing for emerging quality/safety concerns

- **Precautionary testing for quality concerns**

  (1) For new equipment, we follow the established change process, conducting tasks such as URS (User Requirement Specification) and equipment qualification in sequence. Material assessment for equipment is a key indicator in our precautionary testing. We precautionarily engage third parties to test for elemental impurities, allowing us to determine if elemental impurities meet the specifications before product release and to identify potential quality risks in advance.

  (2) For critical parameters of the production process, we conduct precautionary challenge tests on critical parameters that affect product quality and yield to confirm the acceptable range of these critical parameters.

- **Precautionary testing for manufacturing site change risks**

  During the Year, for the new manufacturing site involved in Sichuan Guangda's new plant construction project, the quality management head office of the Company conducted precautionary testing. This included identifying risks during the construction of the new plant and conducting 3 special follow-up inspections (e.g., inspection of the regulatory compliance of site change related processes, follow-up inspection during the start-up phase), etc., so as to test whether the production conditions meet the requirements for yield and quality, thereby ensuring that the product technology transfer is compliant and that GMP compliance inspections are successfully passed.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process *(continued)*

Case: Conducting precautionary testing for emerging quality/safety concerns *(continued)*

- **Precautionary testing for regulatory risks**

  During the Year, the State Administration for Market Regulation issued the Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products, and the National Medical Products Administration issued the Regulations on the Supervision and Administration of Marketing Authorization Holder Implementing Main Responsibility of Drug Quality and Safety and the National Medical Products Administration Announcement on Strengthening Supervision and Management of Contract Manufacturing by Marketing Authorization Holder. To prevent regulatory risks, the Company's quality management head office required all relevant subsidiaries to conduct a gap analysis with a comprehensive reference to the above-mentioned regulations, and formulate and implement targeted improvement measures.

  Meanwhile, the Company's quality management head office conducted special inspections on the implementation of main responsibilities of drug quality and safety by MAHs within the Group and organized 17 of their key personnel (including corporate legal representatives, persons in charge of enterprises, persons in charge of production, persons in charge of quality, qualified persons, and persons in charge of pharmacovigilance) to participate in regulatory knowledge appraisal by written tests. The appraisal aimed to test the extent to which these key personnel master regulations, and the pass rate of the appraisal reached 100%.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.4 Quality audit

Based on the six systems of GMP[4] and internal production quality management system standards, the Company has established detailed inspection rules and defect evaluation standards, and accordingly conducts a comprehensive quality audit at least once a year for each of the Group's manufacturing enterprises, so as to assist each of them in conducting a comprehensive risk management of the quality system throughout the entire life cycle of pharmaceuticals, prevent blind spots in quality management, and avoid regional and systematic risks, thereby further promoting the healthy operation of the quality management system of each manufacturing enterprise.

The Company conducts a comprehensive quality audit at least once a year, covering all (100%) of the Group's manufacturing enterprises and MAHs. During the Reporting Period, the Company conducted 17 quality audits on the Group's drug preparation enterprises, 1 quality audit on the Group's in vitro diagnostic reagent enterprise, and 12 quality audits on the Group's API enterprises.

During the Year, the Group's drug preparation enterprises and in vitro diagnostic reagent enterprise accepted a total of 49 audits from drug regulatory agencies and other external auditors, including routine inspections, unannounced inspections, license inspections, and other special inspections, all of which revealed no serious defects. The Group's API enterprises accepted a total of 218 external audits, which used audit standards including FDA GMP, ICH Q7, Good Manufacturing Practice, Mexican GMP, and Good Manufacturing Practice for Veterinary Drugs, all of which were successfully passed.

For problems or defects found in the quality audits, the quality management head office of the Company requires MAHs to identify product or system risks with reference to the defects found in the inspection, and to make corrections for prevention following the "Plan-Do-Check-Act" (PDCA) model. The PDCA model emphasizes the application of brainstorming and a variety of quality risk management tools, which can help enterprises draw inferences. The Company mandates the adoption of the PDCA model to urge all MAHs to further investigate the risks of products and systems comprehensively and systematically, to output the risk list and risk control measures list covering the six major factors of man, machine, material, method, environment, and measurement, and to implement relevant corrective actions carefully against the checklist and make continuous improvement. This will truly fulfill the Group's basic requirements of "daily settlement and precise GMP" for production quality work.

[4] The six systems of GMP are quality system, facilities and equipment system, material system, production system, packaging and labelling system and laboratory system.

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION

In strict compliance with the Good Supply Practice (GSP), Livzon has established a compliant drug distribution system, and regularly conducts compliance training on drug distribution based on the regulatory requirements and the latest regulations of the drug regulatory agencies. In addition, the Company conducts routine audits on all pharmaceutical distributors of the Group at least once a year in order to implement quality control over the whole process of drug distribution and to enhance the quality assurance of pharmaceuticals in circulation.

In 2023, based on the annual audit plan, the quality management head office of the Company conducted quality audits on all pharmaceutical distributors of the Group in accordance with the GSP system. The scope of the audits included the key links in the drug distribution management including drug traceability system, integrity distribution, and quality system implementation in the drug distribution process. No major non-compliance was found, management suggestions were given to relevant enterprises, and timely corrections were required to be implemented to improve the level of quality management. In 2023, 2 pharmaceutical distributors of the Group accepted a total of 4 GSP special and daily supervision inspections by drug regulatory agencies, and no material defects were found, hence the quality management risk of our drug distribution is controllable.

7.5.1 Management of product package inserts and labels

Product labels and package inserts are important means to guide the correct selection and use of drugs, and are related to the health and life safety of the public. Livzon strictly complies with the Drug Administration Law of the PRC, the Provisions for Drug Package Inserts and Labels, the Detailed Rules for Drug Packaging and Labeling Standards, the Administrative Regulations on the Package Inserts and Labels of Medical Devices, the Administrative Measures for Veterinary Drug Package Inserts and Labels and other laws and regulations. Livzon always pays close attention to updates on the regulatory documents of the National Medical Products Administration (NMPA) on package inserts, labels and packaging, and continuously conducts internal cross-checks, so as to ensure that our product package inserts and labels continuously comply with regulatory requirements, safeguarding the safety and accuracy of consumer medication.

Each of the Group's manufacturing enterprises has established a management system of labels and package inserts, and has formulated a series of management systems including the Standard Management Procedures for Drug Packaging, Labels and Package Inserts and the Product Packaging Label Identification Code Management Procedures. They revised and improved relevant regulations, such as the Operating Procedures for the Design, Review, Procurement and Use of Packaging Materials, the Procedures for Customization of Printing and Packaging Materials, the Management Procedures for Packaging, and the Management Procedures for Self-made Labels of Products, during the Reporting Period.

The Group conducts standardized management of package inserts and labels for design, audit, purchasing, printing, acceptance, storage, distribution and use, and sets clear requirements on audit of relevant packaging material suppliers. The Group conducts internal audits of the package inserts and labels on a regular basis each year or when regulations change, and revises and improves the product package inserts and labels in a timely manner. During the Year, each of the Group's manufacturing enterprises conducted internal audits on the product package inserts and/or labels.

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

7.5.2 Product tracing

Livzon has established a complete product information traceability system and formulated the Drug Traceability Management System. Through traceability platforms such as "Ma Shang Fang Xin(碼上放心)" and the "National Veterinary Drug Tracing System", Livzon has successfully enabled the smallest sales packaging unit of drugs, class III medical devices and veterinary drugs to be traceable (giving unique traceability ID to the smallest sales packaging unit). With product information traceability in all varieties and full process, we have strengthened the sharing of traceability information, promoted comprehensive management of the quality and safety of products, and enhanced the level of product quality and safety assurance.

Our API export enterprises have formulated the Procedures for Management of QR Codes for Active Pharmaceutical Ingredients (APIs) to ensure that each level of packaging labels for exported APIs bears a QR code (Quick Response Code). This enables regulatory agencies and consumers to trace product unique identifiers, batch numbers, dates of manufacture, expiry/retest dates, storage conditions, and other product information by scanning the QR code through tracking systems such as the "China Product Information Service Platform" and "ANCC app". Our veterinary API enterprises formulated the Standard Operating Procedures for the Collection and Upload of QR Codes for Veterinary Drugs and the Standard Operating Procedures for the Use and Maintenance of QR Codes this Year to further improve the traceability operation management of veterinary drugs and ensure that every smallest packaging unit of veterinary drug products is provided with traceable QR codes.

7.5.3 Product recall and safety emergency management

In order to enhance the ability to respond to product safety emergencies and improve related work management practices, the Company has formulated the Operating Procedures for Product Recalls, the Unqualified Product Management System, the Returned Product Management System, the Contingency Plans for Material Product Safety Incidents and other management systems. We establish and keep complete purchase and sale records to ensure the traceability of products sold, and regularly conduct simulated product recalls and emergency drills for product safety emergencies.

During the Year, the Group had no recalls of products sold or shipped for safety and health reasons and thus did not incur any medical expenses resulting from product quality issues.

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

7.5.3 Product recall and safety emergency management *(continued)*

Product Recall Procedures of Livzon

For products to be recalled, the quality management department organizes members of the risk assessment team to classify the product recall into three levels based on the severity of potential product safety hazards.

After the recall is approved, the quality management department will issue a "recall notice" to all relevant departments, and the sales department will formulate a recall plan and specific measures and submit a copy of the recall plan to the drug regulatory agencies.

In the course of the recall, the sales department has to report the recall progress as required by the documents, conduct statistics and acceptance of the products to be recalled and return them to the Group's manufacturing enterprises according to the return procedures. The sales department should actively cooperate with the Group's manufacturing enterprises or drug regulatory agencies to carry out relevant investigations.

During the Year, some MAHs and all API enterprises of the Group conducted simulated product recalls and emergency drills for product safety emergencies. The results of these drills met the expected targets, fully verifying the feasibility and effectiveness of the recall processes. Verified by the emergency drills, relevant systems established by each subsidiary could help them quickly, orderly and effectively implement emergency response to product safety incidents (including product recalls) in the event of product safety emergencies.

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

7.5.4 Protection of customer rights and interests

Enhancement of customer satisfaction

To fully protect the rights and interests of customers and improve customer satisfaction, Livzon conducts product and service quality satisfaction surveys regularly every year and distributes questionnaires to customers in various regions. Livzon conducts multiple-dimensional surveys to fully understand the opinions and feedbacks of customers on the Group's products and services, and timely optimizes the service process and improves service quality and standard according to customers' feedbacks and opinions.

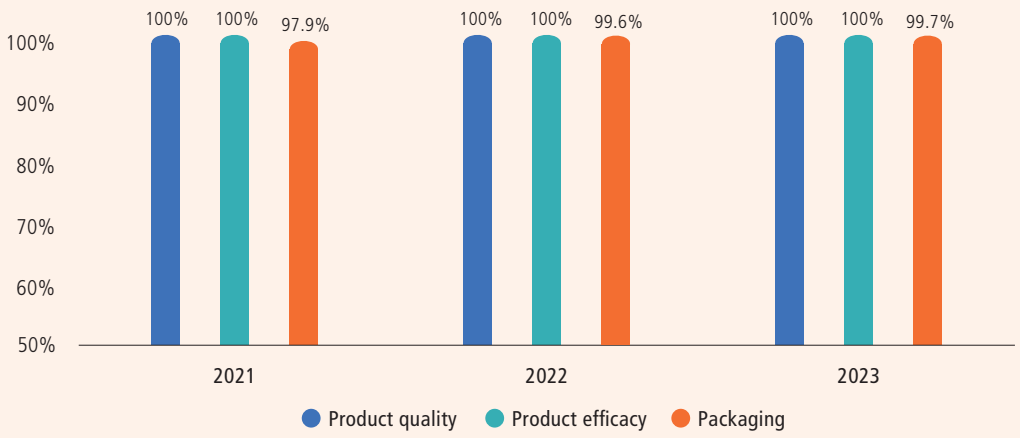
7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

7.5.4 Protection of customer rights and interests *(continued)*

Enhancement of customer satisfaction *(continued)*

In 2023, the Company received 333 feedbacks in written forms from customers. The results showed that customers were highly satisfied with the quality, packaging, and efficacy of Livzon's products. The questionnaires were sent to the corresponding business departments. Relevant departments analyzed the problems and suggestions from customers' feedbacks and solved existing problems in a timely manner, to provide customers with better products and better services.

Customer Satisfaction Survey Results from 2021 to 2023



Meanwhile, the Group conducts customer satisfaction surveys to end customers regularly every year in forms of service feedback letters, satisfaction survey questionnaires, phone calls, etc., allowing customers to comprehensively rate the quality, efficacy, packaging, transportation, delivery timeliness and service of products, etc. The customer satisfaction ratings maintained at above 95% in recent years. In addition, the Group entrusts commercial customers to survey doctors and patients via phone calls from time to time to communicate on the safety, stability, clinical efficacy of, and satisfaction and feedback of doctors and patients on our major products, and regularly summarizes the survey results to make appropriate assessments on the safety and efficacy of the products.

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

7.5.4 Protection of customer rights and interests *(continued)*

Protection of customer privacy

As its principal businesses are manufacture and distribution of drugs, APIs and intermediates, diagnostic reagents and equipment and veterinary drugs, Livzon has little direct contact with end customers and access to their private information. For limited risks of privacy and security management, Livzon also fully complies with the relevant legal provisions on personal data protection under the Civil Code of the PRC and the Personal Information Protection Law of the PRC to strictly protect customer privacy.

We allow the collection of information about our customers or other individuals in a reasonable and lawful manner. For confidential information, we will sign a non-disclosure agreement with the party concerned to secure the confidential information. Customers can rectify individuals' data by phone, email and other methods.

During the Year, Livzon had no incidents of infringement of customer privacy or loss of customer data.

Customer feedbacks and complaints

The Company has established a sound customer complaint handling system, and has formulated management systems such as the Administrative Procedures for Quality Complaints, the Administrative System of Quality Enquiry and the Administrative System of After-sale Quality Complaints, to manage the Group's product quality complaint affairs by coordinated guidance and supervision.

The Company is responsible for promptly and properly handling the quality complaints about the products of its subsidiaries, and requires each subsidiary to establish or improve its own quality complaint management system in accordance with relevant laws and regulations and the requirements of the Company's management systems, and standardize the daily work of employees, so as to fully protect customers' rights and interests and ensure product quality.

During the Year, Livzon received 97 product-related feedbacks, including 17 medication queries and 80 product-related complaints. In accordance with relevant processes and systems, the Group promptly followed up and dealt with the relevant product queries and complaints received, reaching a response rate of 100%.

7.6 PHARMACOVIGILANCE

Livzon actively responds to and supports the establishment of a comprehensive pharmacovigilance system (including pre-market and post-market) to guarantee pharmacovigilance throughout the entire life cycle of pharmaceutical products, thereby ensuring the safe, reasonable and effective use of drugs by the public.

7.6.1 Pharmacovigilance management

Following the implementation of the Good Pharmacovigilance Practice, Livzon has been constantly enhancing its pharmacovigilance ("PV") management requirements. All MAHs of the Group have established the system and policies that cover the current PV-related regulatory requirements, and gradually revise and improve the system and policies according to the latest regulatory requirements during the implementation process. Meanwhile, all MAHs of the Group have established an independent PV department and set up a drug safety committee to ensure the safe and healthy use of drugs by the public.

The Group has set up standardized and uninterrupted channels for collecting information on adverse drug event and achieved monitoring and control of drug safety. We purchased a PV system and a MedDRA dictionary for auxiliary data alignment and, via the system, implemented functions such as submission of various reports within a time limit, document retrieval, risk warning, and connection with the system of the Center for Drug Evaluation (CDE) of NMPA, which made relevant work more efficient and scientific.

Key Tasks of Post-Market Pharmacovigilance

- Establish and maintain the normal operation of the PV system to ensure continuous compliance of PV work;
- Monitor the safety of pharmaceutical products, and collect, report, evaluate and investigate adverse drug reactions/events from various sources in accordance with national laws and regulations;
- Identify, confirm and assess drug safety risk signals, take risk management and risk minimization measures, and conduct activities such as risk control and risk communication;
- Conduct PV related exchange, education and training.

7.6 PHARMACOVIGILANCE *(continued)*

7.6.1 Pharmacovigilance management *(continued)*

During the Year, the Company's pre-market PV department of the clinical research management center was responsible for managing the pre-market PV system and providing guidance, supervision and professional training for all MAHs of the Group on pre-market PV work.

In 2023, the pre-market PV department completed the building and optimization of the PV management system to ensure its legality and effectiveness. Specifics are as follows:

- Endorsed and effected 15 SOPs and templates, established a complete SOP quality system, audited the implementation of SOPs, and revised current SOPs.

- Completed the launch of the pre-market PV database, gradually transitioned PV work previously outsourced in the Group's clinical research to in-house operations, and finally achieved full in-house operations of PV work throughout the clinical research process.

- For all clinical trial projects conducted by the Company, the pre-market PV department comprehensively collected safety information including individual case safety reports, safety update reports during R&D, and risk management plans. It conducted risk monitoring, identification, and evaluation, promptly identified existing safety concerns, proactively implemented necessary risk control measures, and assessed the effectiveness of these risk control measures to ensure minimal risks and effective protection of subject safety.

- The pre-market PV department underwent 6 internal audits, with no major risk items identified, and all minor risk/recommended items were corrected within the stipulated timeframe.

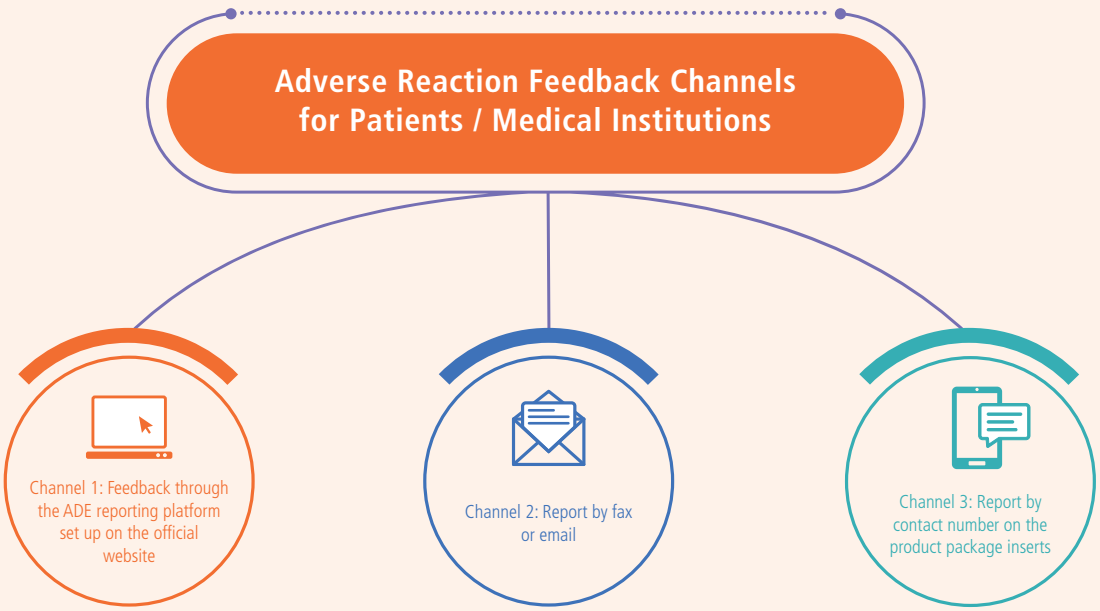
Meanwhile, in the annual quality audits of the Company's subsidiaries conducted by the Company's quality management head office, a special appraisal of the construction and operation of the pharmacovigilance (PV) system was included. The appraisal covered the organizational structure of the PV system, personnel qualifications, implementation of responsibilities, drug risk management, and regular safety update reports, among other aspects. The PV audits across all operations of the Group not only promoted communication among subsidiaries, learning from each other's strengths, but also prevented individual enterprises from working in isolation on PV system development. Through discussions on solutions to common issues during the audits, the subsidiaries collectively enhanced the operational efficiency and regulatory compliance of their PV system, and reduced errors, thereby continuously advancing the continuous improvement of the PV system in the Group's entire life cycle quality management.

7.6 PHARMACOVIGILANCE *(continued)*

7.6.2 Report of adverse drug reaction

Based on the pharmacovigilance system and its related activities, the Group has established the Adverse Drug Reaction Reporting and Monitoring Management System, the Procedures for Adverse Event Monitoring and Control, the Administrative Procedures for Reporting Drug Safety Information, the Operating Procedures for Reporting Post-Approval Individual Case Safety of Drugs, the Operating Procedures for Handling Drug Safety Incidents, and other relevant systems. The Group collects product safety information (including adverse reactions / events of products) in multiple ways throughout the entire product life cycle, and analyzes, evaluates, and supervises it.

Livzon has established standardized and uninterrupted channels for autonomously collecting information on suspected adverse reactions / events of products, and makes three feedback channels available to patients and medical institutions, including an Adverse Drug Event ("ADE") reporting platform, to achieve effective monitoring and control of product safety.



Note: To safeguard drug safety for the public, Livzon established an ADE reporting platform on its official website, and provided contact number and email as feedback channels for patients or clinical trial subjects with adverse conditions that occur after drug administration, to understand and evaluate adverse events and product characteristics in a timely manner, and safeguard public drug safety.

7.6 PHARMACOVIGILANCE *(continued)*

7.6.2 Report of adverse drug reaction *(continued)*

The Group has established a systematic product quality complaint process. When information on adverse drug reactions is received, the relevant functional departments and subsidiaries of the Company will take timely response measures in accordance with the Administrative Procedures for Quality Complaints. The relevant procedures are as follows:

- After receiving the complaint from the customer, the business department shall fill in the Drug Quality Information Feedback Form and report to the quality management department on the day of receipt after review. Upon receipt of the Drug Quality Information Feedback Form, the quality management department shall first determine the type of product complaint and organize and implement an investigation. If immediate response is possible, it shall give a reply within 24 hours. If further investigation and analysis are required, it shall communicate with the customer within 48 hours and handle it properly, and further verify with the Marketing Authorization Holder (the "MAH") within 24 hours as the case may be.

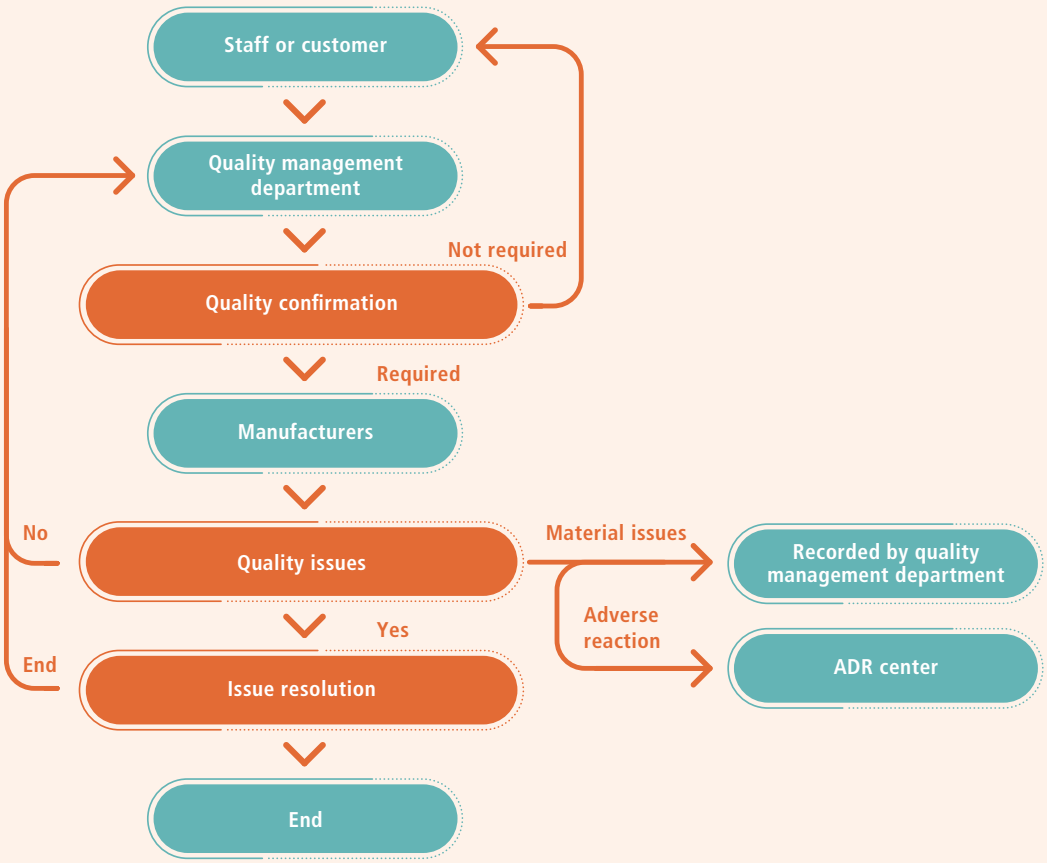
- After the MAH receives the Drug Quality Information Feedback Form, the quality complaint handling procedures shall be activated. For complaints involving adverse drug reactions, in addition to activating the quality complaint handling procedures of the MAH, they shall be handled in accordance with the Adverse Drug Reaction Reporting and Monitoring Management System. All the adverse reaction information shall be reported by the MAH to the ADR center (Adverse Drug Reaction Monitoring Center for Drugs and Medical Devices) according to the regulations.

- After the quality complaint is handled, the quality management department shall summarize the handling of the product quality complaint. It shall annually summarize the complaints of various types, compare and analyze with historical data, and report to the person in charge of the enterprise, the quality management head office of the Company and the vice president in charge of the Company.

7.6 PHARMACOVIGILANCE *(continued)*

7.6.2 Report of adverse drug reaction *(continued)*

Flowchart of Handling Product Quality Complaints of Livzon



For medical device-related adverse events, the Group has allocated full-time staff for monitoring adverse events of medical devices according to the requirements of systems such as the Procedures for Adverse Event Monitoring and Control. The Group actively fulfilled its primary responsibilities for monitoring by proactively collecting information on adverse events of medical devices, and conducting a series of measures such as prompt investigation, analysis, and evaluation to improve the ability to prevent and control risks of adverse events and effectively enhance the safety and effectiveness of the medical devices for the general public.

7.7 ESTABLISHMENT OF QUALITY CULTURE

To enhance the quality risk awareness and quality management capabilities of all employees, Livzon continuously strengthens the establishment of advanced quality culture, actively conducts quality-themed cultural activities in accordance with relevant quality management regulations and standards, based on the requirements of product regulatory agencies, and is committed to creating a good atmosphere where everyone values quality.

We formulate annual training programs for quality, and accordingly conduct quality control/product safety trainings on a regular basis for all employees of the Group every year. The content of the trainings covers GMP for pharmaceuticals, GMP for veterinary drugs, fundamental knowledge of microbiology and hygiene, fundamental knowledge of products, etc. Through forms of annual quality meetings, weekly quality meetings, regular reports on pharmaceutical policies and regulations, etc., we disseminate and strictly implement the Company's quality culture and quality control requirements from top to bottom.

During the Year, the Group's quality-related trainings covered all (100%) employees of the Group.

7.7 ESTABLISHMENT OF QUALITY CULTURE *(continued)*

Livzon's main channels for disseminating and implementing quality culture:

- **Annual quality meeting:** Every year, an annual quality meeting is held to conduct special report on quality, so as to discuss hotspot, focus and difficult quality issues, and to specify quality risk control measures and requirements. Participants include the senior management of the Company, the general manager of the quality management head office of the Company, heads of all manufacturing enterprises of the Group, heads of production management and quality management of each manufacturing enterprise of the Group, etc.

- **Weekly quality meeting:** Every week, the person in charge of quality management of each manufacturing enterprise of the Group reports work to the senior management of the Company through weekly quality meeting, the content of which includes the continuous compliance of the week, work progress, the next week's key tasks, emergency response, quality team building, etc.

- **Regular report on pharmaceutical policies and regulations:** The quality management head office of the Company sorts out the newly promulgated pharmaceutical policies and regulations every week, month and year, extracting the highlights of the regulations and summarizing into weekly, monthly and annual reports on regulations. With these reports, the person in charge of quality management, the qualified persons and all employees in production-related positions of each manufacturing enterprise of the Group are able to gain a timely and comprehensive understanding of the updates and trends of pharmaceutical policies and regulations, and to modify and improve the workflow according to the latest regulations to carry out the R&D, manufacturing and distribution work in an orderly and compliant manner.

- **Quality Month event:** During the Year, the Quality Month event was organized and held by the Company's quality management head office and widely attended by all manufacturing enterprises and R&D units of the Group. With the effect of large-scale promotion of the Company's quality culture, the Quality Month event educates all employees to continuously study regulations and adhere to the quality concept of "scientific and reasonable quality design, compliance throughout the entire life cycle".

  In 2023, the Quality Month event was centered around the theme of "Implementing the Main Responsibility of MAH" and featured learning activities unique to Livzon across four topics: quality forum, regulatory knowledge contest, job skills competition, and drug safety emergency drills.

7.7 ESTABLISHMENT OF QUALITY CULTURE *(continued)*

Case: Quality Month event – quality forum

In December 2023, the Company, in collaboration with the Guangdong Provincial Specialty Committee of Qualified Persons, invited top domestic experts in drug quality to conduct thematic trainings for 458 people, including professional technical personnel from 8 subsidiaries and learning representatives from third-party units related to drug manufacturing. During the trainings, the experts based their explanations on the EU GMP Annexes, covering knowledge related to the latest strategies for pollution control, isolation technologies, sterilization and filtration processes, and aseptic process simulation tests. This significantly improved the Group's knowledge of sterile assurance.

Case: Quality Month event – drug safety incident emergency drill and training

In September 2023, the Company's quality management head office invited a team of experts in drug safety incident emergency management to design a drug safety incident simulation involving the real product Voriconazole for Injection(注射用伏立康唑)(0.2g). This emergency drill tabletop exercise and training event, conducted in collaboration with the entrusted manufacturer Pharmaceutical Factory, was based on regulations related to the implementation of the main responsibility of product quality and safety by MAHs and provided the Company's subsidiaries with standardized drill forms and drill approaches. The drill was attended by a total of 52 people involved in drug safety incident response from 6 subsidiaries.

7.7 ESTABLISHMENT OF QUALITY CULTURE *(continued)*

Case: Quality trainings and quality knowledge contests conducted by some subsidiaries

- **Sichuan Guangda:** During the Year, a total of 874 quality training programs were organized and conducted. The training content included laws and regulations on drug manufacturing management, internal quality documents of the enterprise, etc. In nearly 8,622 training hours, 24 regulations were studied by the employees. Through continuous quality training, employees' awareness of compliance in daily operations and drug distribution and management was effectively enhanced.

- **Livzon MAB:** During the Year, a total of 515 quality training topics were organized. Appraisals were conducted through written, oral and hands-on tests, the pass rate of which reached 100%. The training programs were divided into three categories, namely, company-level regulatory documents and basic knowledge, departmental management documents and department-level common knowledge, and position-specific operation documents and job skills.

- **Livzon Diagnostics:**

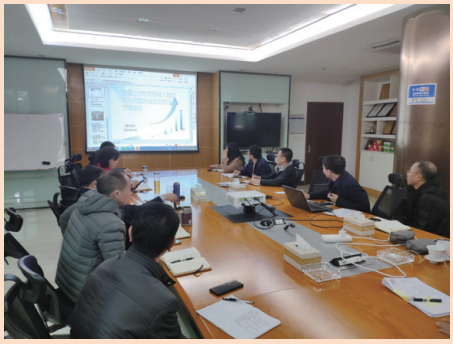
  (1) In July 2023, Livzon Diagnostics conducted online and offline training on the R&D quality management system for over 50 R&D employees, covering the management of the R&D implementation process, the management of design conversion of new products, supplier management, etc. Through the training, R&D employees further grasped the knowledge of key control points of the daily system process and the quality management of the medical device design and development process, thereby better advancing the R&D progress.

  (2) In December 2023, Livzon Diagnostics held a vocational skills contest for front-line assembly workers and quality inspectors in automated production. Approximately 50 people participated in the contest, which combined on-site practical operations and quiz. The contest not only focused on the standardized skill operations of the employees but also expanded learning to theoretical aspects of the quality system, promoting the continuous improvement of quality control in production.

7.7 ESTABLISHMENT OF QUALITY CULTURE *(continued)*

Case: Quality trainings and quality knowledge contests conducted by some subsidiaries *(continued)*

- **Pharmaceutical Factory:** In September 2023, to continue the establishment of quality culture and deepen employees' understanding of GMP and operating standardization, Pharmaceutical Factory conducted a quality knowledge contest and practical skills contest around the theme of "Enhance Skills, Ensure Quality, Showcase Excellence". Employees from the aseptic preparation manufacturing department, non-aseptic preparation manufacturing department, and QA department participated in the contest. This contest strengthened employees' understanding of SOPs and awareness of operating standardization, improved their practical skills, while reiterating the requirement for meeting the most updated quality requirement and continuously improving quality.



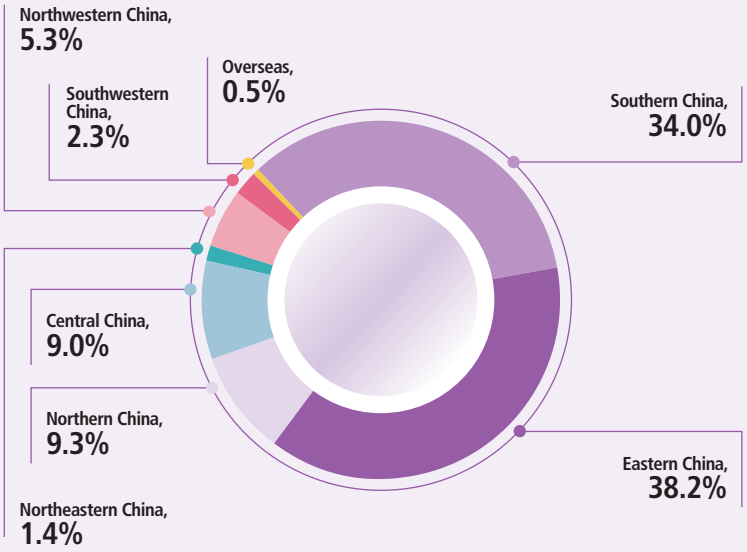
8

RESPONSIBLE SUPPLY CHAIN

Establishing a responsible, efficient and green supply chain provides an important guarantee for our sustainability. Adhering to the procurement principle of combining market-based pricing and comprehensive assessment and evaluation of tenders, Livzon has actively joined hands with supply chain partners to assume social responsibilities and strive to achieve a win-win situation for all parties.

As at the end of the Reporting Period, the Group had a total of 2,086 suppliers with the following regional distribution:

Number of Suppliers by Geographical Region



8.1 SUPPLY CHAIN MANAGEMENT

Livzon strictly abides by the Company Law of the PRC, the Tendering and Bidding Law of the PRC and other relevant laws and regulations. In accordance with GMP requirements and its actual situation, Livzon has also formulated policies such as the Code of Conduct for Suppliers, the Material Management System, the Administrative Measures for Supplier Entry, and the Administrative Measures for Electronic Procurement to regulate supply chain management. We keep improving our supplier management system and consistently enhance the comprehensive and multidimensional management level of the Group's supply chain.

We control the entire life cycle of supplier management through measures such as qualification confirmation, risk assessment, audit supervision, and evaluation at all stages of selection, entry, use, maintenance, assessment, audit, and elimination. In terms of audit and supervision, we have established a dedicated team to oversee supplier conduct through audits and annual comprehensive appraisal; furthermore, we have established a supplier complaint mechanism to encourage employees or other stakeholders to report any violations of the code of conduct by suppliers. In addition, we proactively cooperate with suppliers on resolving issues related to product quality and safety and ESG; we actively conduct supplier trainings, promote energy conservation and emission reduction in the supply chain, and provide support for suppliers to improve themselves and obtain certification. In doing so, we are committed to building a healthy, green and sustainable supply chain.

During the Year, the Company established the Code of Conduct for Suppliers (the "Code"), which applies to all entities and their subsidiaries that supply goods or services to the Group ("suppliers"). The suppliers are required to fully comply with the Code and shall ensure that their own suppliers adequately comply with the Code. Suppliers' compliance with the Code will determine the establishment and maintenance of their cooperative relationship with the Group. The Code sets forth standards of conduct for suppliers in five areas: human rights and labor, environmental protection, business ethics, supervision and application, and whistleblowing. It designates the Board as the highest responsible authority for overseeing the implementation of the Code, with the ESG Committee under the Board responsible for the day-to-day implementation, supervision, and periodic review.

Simultaneously, the Company has revised the Group's commercial contract templates to include compliance with the Code and the Group's ESG requirements as contract clauses. The contracts explicitly state that the results of the Group's annual comprehensive appraisal of suppliers (including whether or not suppliers fully comply with the Code, ESG performance, etc.) will affect the procurement shares for the following year: If a supplier fails the annual comprehensive appraisal, we have the right to request immediate corrections; if the supplier fails to make timely corrections or meet the correction requirements, we have the right to terminate the contract.

To ensure the effective implementation of the Code, we continuously disseminate its requirements to suppliers at every procurement stage, conduct relevant training for cooperating suppliers, and integrate the requirements of the Code into supplier audits to ensure that suppliers comply with the Group's ethics and compliance standards. For suppliers who do not meet the requirements of the Code, we will urge them to propose correction plans and make corrections within a specified timeframe; if a supplier still fails to meet the standards after correction, we will terminate our cooperative relationship with them.

During the Year, we conducted trainings on the Code of Conduct for Suppliers for 394 suppliers, covering suppliers of various industries and sizes. The training content included, but was not limited to, business ethics, product quality, after-sales service, and environmental protection. For suppliers who did not meet the provisions of the Code, we made prompt corrections and adjustments to ensure the stability and sustainability of our supply chain.

8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

During the Year, the Company also revised the Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal, specifying that the dimensions of supplier risk assessment shall include business relevance and ESG impact, and that ESG impact shall be assessed at three levels: country-specific risk, sector-specific risk, and commodity-specific risk. The Company also updated the Administrative Measures for Construction Project Suppliers to strengthen the management of engineering equipment suppliers.

8.1.1 Entry management

Livzon implements a strict and standardized supplier entry procedure, and has formulated the Administrative Measures for Supplier Entry. We select qualified suppliers in terms of product quality standards, testing and verification, process testing, stability, etc., and strictly control over the basic threshold of supplier entry. In addition to the necessary qualifications, we focus on the performance of suppliers in terms of quality management system, EHS management system, social responsibility, environmental protection, etc. Under the same conditions, we give priority to suppliers certified to ISO management systems and EcoVadis and continuously increase the proportion of procurement from high-quality suppliers.

We have defined the specific qualification requirements and certification documents by type of suppliers, which shall include but are not limited to the following standards:

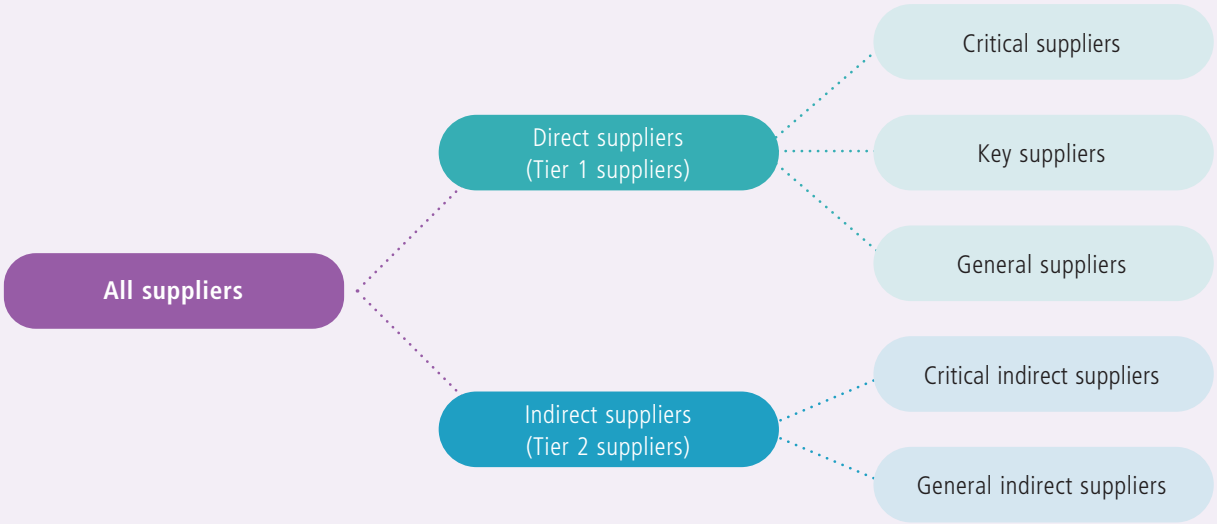
Type of suppliers	Qualification and certification documents
Suppliers of pharmaceutical raw materials and auxiliary materials	Approval number of corresponding material, CDE (Center for Drug Evaluation of the National Medical Products Administration) registration number, quality standard, drug manufacturing license, business license, ISO 9001/ISO 14000/ISO 45001/ISO 50001 (quality management system / environmental management system / occupational health and safety / energy management system) and other series certificates, other EHS-related certificates (such as green factory, cleaner production audit, standardization of work safety), etc.
Suppliers of immediate pharmaceutical packaging materials	Manufacturing license of pharmaceutical packaging materials, registration certificate of pharmaceutical packaging materials, CDE registration number, quality standard, inspection report, printing business license, business license, ISO 9001/ISO 14000/ISO 45001/ISO 50001 and other series certificates, other EHS-related certificates (such as green factory, cleaner production audit, standardization of work safety), special printing license or packaging and decoration printing license, commodity barcode printing license, etc.
Suppliers of pharmaceutical printing and packaging materials	Special printing license or packaging and decoration printing license, commodity barcode printing license, quality standard, business license, ISO 9001/ISO 14000/ISO 45001/ISO 50001 and other series certificates, other EHS-related certificates (such as green factory, cleaner production audit, standardization of work safety), etc.

8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.2 Classification of suppliers

The Group classifies suppliers into two categories: direct suppliers (tier 1 suppliers) and indirect suppliers (tier 2 suppliers), with subclassification based on factors of procurement amount, material category, risk level, irreplaceability, etc. of suppliers, and updates the list of supplier annual classification in the first quarter of each year.

Diagram of Supplier Classification



8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.2 Classification of suppliers *(continued)*

Principle of Supplier Classification

Classification of suppliers		Definition
Direct suppliers (Tier 1 suppliers)	Critical suppliers	Any of the following: (1) The top ten suppliers in terms of annual procurement amount of the enterprise; (2) The suppliers of raw materials and auxiliary materials involved in the top varieties of the enterprise accounting for 80% of profits among all varieties ordered from high to low, and with annual procurement amount of over RMB10 million; (3) The suppliers who are irreplaceable or supply key components: suppliers of raw materials, auxiliary materials, and packaging materials for key products that are involved in cooperative product R&D of the enterprises, have advantages of patented technology or confidential and proprietary technology, or have unique effects in product quality, performance, safety, reliability, or sterility assurance; suppliers of accessories for essential equipment and instruments, and essential software service providers; (4) The suppliers of materials assessed by the quality department as high risk; or (5) High-risk suppliers identified by the supply chain department after supplier risk assessment.
	Key suppliers	Any of the following: (1) The suppliers (excluding critical suppliers) of materials (raw materials, auxiliary materials, and packaging materials, and consumables and additives involved in manufacturing process, etc.) with annual procurement amount of over RMB10 million; or (2) The suppliers of materials with annual procurement amount of below RMB10 million but assessed by the quality department as medium risk.
	General suppliers	Direct suppliers other than critical suppliers and key suppliers.
Indirect suppliers (Tier 2 suppliers)	Critical indirect suppliers	Any of the following: (1) Indirect suppliers whose products, materials, and services have a significant impact on the enterprises' competitive advantage, market success, or survival, combined with assessment from factors such as quality, procurement volume, irreplaceability, and supply of key components; or (2) High-risk suppliers among indirect suppliers identified by the supply chain department after supplier risk assessment.
	General indirect suppliers	Indirect suppliers other than critical indirect suppliers.

8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

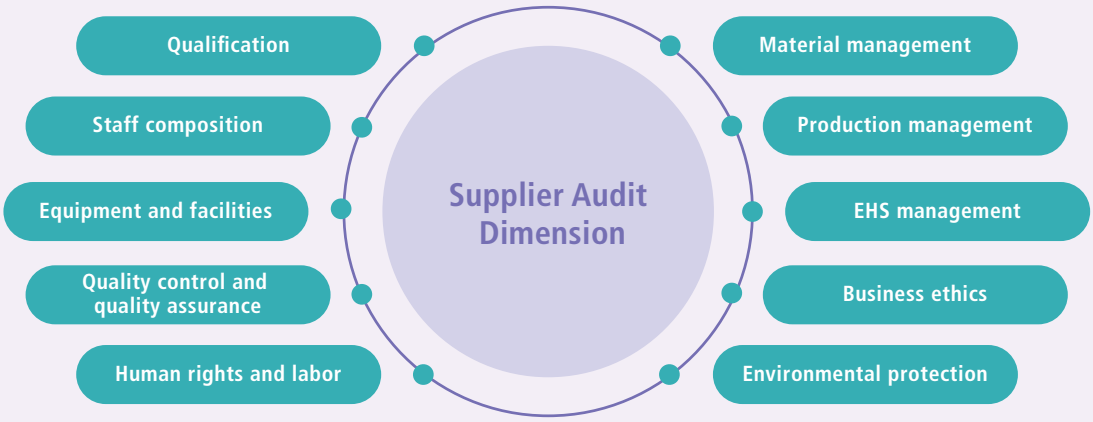
8.1.3 Supplier audit

To guarantee product quality and safety at source and also to ensure that suppliers' ESG performance meets the Group's requirements, Livzon has formulated and strictly implements the Administrative Procedures for Supplier Audit, and conducts audits from the dimensions of supplier qualification, staff composition, equipment and facilities, material management, production management, quality control and quality assurance, business ethics, human rights and labor, environmental protection, etc.

In addition, to promote a green and sustainable supply chain, the Group has included suppliers' EHS performance (including reducing greenhouse gas emissions, reducing pollutant emissions, conserving resources, and increasing the use of clean energy) in the scope of supplier audits according to the Administrative Procedures for Supplier EHS Audit. Please refer to "8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN" for details of the suppliers' EHS audit.

We specify the corresponding requirements of audit frequency and method according to the classification of suppliers, and strictly conduct audits according to the relevant requirements. Please refer to the table below for the frequency and method of supplier audit:

Supplier classification		Frequency and method of audit
Tier 1 suppliers	Critical suppliers	Not less than 1 on-site audit every two years
	Key suppliers	Not less than 1 on-site audit every three years
	General suppliers	Not less than 1 written audit every three years
Tier 2 suppliers	Critical indirect suppliers	The enterprises shall require direct suppliers to conduct on-site audits on critical indirect suppliers and confirm the completion of these audits



8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.3 Supplier audit *(continued)*

We carry out supplier audits (on-site or desk) using pharmaceutical standards issued by the Chinese Pharmacopoeia Commission, the chemical industry standards for pharmaceutical intermediates, national food industry standards, inner packaging materials industry standards, and GMP standards or ISO system standards adapted to local or EU, US FDA requirements. When conducting supplier on-site audits, we also engage an independent accredited auditing body as needed to audit suppliers.

During the Year, the Group audited a total of 670 tier 1 suppliers and 32 tier 2 suppliers. Specifically, 178 tier 1 suppliers and 4 tier 2 suppliers were on-site audited, and 492 tier 1 suppliers and 28 tier 2 suppliers were desk audited. All supplier audit plan targets for the Year were met.

For issues identified during audits, we have overseen suppliers' remedies in a timely manner and paid continuous attention. We urge suppliers to make corrections according to the following process:

Analyze audit deficiencies 1	Suppliers shall fully analyze any deficiencies found during the audit and identify the root causes so as to develop targeted corrective actions.
Develop a correction plan 2	Based on the results of the audit deficiency analysis, suppliers shall develop a detailed correction plan that includes clearly defined corrective objectives, deadlines, corrective actions, responsible departments and people, etc.
Implement corrective actions 3	Suppliers shall correct audit deficiencies one by one according to the correction plan.
Inspect and assess outcomes of corrections 4	Suppliers shall regularly inspect and assess the outcomes of corrections to ensure that corrective actions are continuously and effectively implemented and that audit deficiencies are thoroughly addressed.
Summarize and share correction experiences 5	Suppliers shall summarize the experiences gained during the correction process and share them with other departments or enterprises, so as to enhance the quality of supplier audits across the entire industry.

8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.4 Annual comprehensive supplier appraisal

Every year, we conduct a comprehensive appraisal of suppliers. For the annual comprehensive supplier appraisal, relevant departments (including supply chain department, production department, quality department, risk control department, EHS department, etc.) are responsible for assessing their respective areas and preparing annual appraisal reports. These are then aggregated, scored, and reviewed by the supply chain department. Each subsidiary of the Company shall prepare the Report on Annual Supplier Appraisal every year, and after approval by the head of the subsidiaries, report to the Company's production technology head office and senior management for review.

Desk assessment is used for the annual comprehensive supplier appraisal. The information required for appraisal is derived from audit reports, assessment reports, questionnaires, and other channels. After receiving the required information, the relevant departments will review and analyze it to score and appraise the performance of suppliers (including ESG performance), resulting in a comprehensive assessment.

The indicators of the annual comprehensive supplier appraisal include, but are not limited to:

- Suppliers' qualification
- Suppliers' certification
- Suppliers' delivery timeliness
- Suppliers' risk situation
- Suppliers' financial situation
- Supply quality
- Transportation and after-sales service
- EHS performance such as energy conservation and environmental protection
- Business ethics
- Audit results
- Correction of audit deficiencies

8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.4 Annual comprehensive supplier appraisal *(continued)*

During the Year, to further build a green and sustainable supply chain, we strengthened the appraisal of suppliers in terms of environmental protection, increasing the weight of greenhouse gas emission reduction, water and electricity efficiency, and clean energy use in the annual comprehensive supplier appraisal.

The results of the annual comprehensive supplier appraisal are divided into four levels: excellent, good, qualified and unqualified. For suppliers whose appraisal results are excellent, we may increase procurement volume. For suppliers whose appraisal results are unqualified, we will suspend the procurement, request immediate correction, and urge them to develop an improvement plan with defined objectives and timelines to improve their performance. The suppliers can requalify after their corrections meet the requirements, or they will be eliminated and moved out of the qualified supplier pool after the approval process if they fail to make timely corrections or meet the correction requirements.

The results of the annual comprehensive supplier appraisal will be an important basis for allocation of procurement share in the following year. Each enterprise of the Group will make reasonable adjustments to the procurement share for the current year according to business operation and the results of the annual comprehensive supplier appraisal for the previous year.

During the Year, we conducted an annual comprehensive appraisal for a total of 1,590 suppliers.

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY

Livzon places high importance on supply chain quality management to ensure safe and reliable product sources. To improve supply chain quality, we are taking active measures, including seminars, trainings, on-site guidance, and conclusion of strategic agreements, to achieve win-win cooperation.

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY *(continued)*

Actions to Improve Supply Chain Quality

- Formulate and implement supplier audit plans, and emphasize to suppliers through audits our specific requirements for suppliers in all aspects. For issues identified during audits, require suppliers to make timely corrections. The audit results will be considered as an important factor in the annual comprehensive supplier appraisal, which will directly affect the allocation of procurement shares in the following year;
- Organize seminars to share the latest quality management concepts and practical experiences with suppliers, listen to their opinions and suggestions, and discuss with them solutions and strategies to address quality issues and improve quality;
- Conduct quality trainings for suppliers to convey Livzon's quality philosophy and requirements; help improve the suppliers' quality management level by providing technical guidance and management trainings; actively support suppliers to obtain ISO certifications;
- Before the promulgation and implementation of new industry regulations and standards, take the initiative to understand suppliers' interpretation and implementation of such regulations, and provide trainings if necessary;
- In case of abnormalities in material supply or quality, provide guidance on process improvement, quality inspection, etc., and provide on-site assistance when necessary to help suppliers complete corrective actions as soon as possible;
- Establish close cooperative relationships with suppliers at various stages to achieve information sharing;
- Sign strategic and long-term cooperation agreements with suppliers that specify quality requirements and responsibilities for suppliers and our commitment to long-term support for supplier development and improvement, so as to solidify long-term cooperative relationships and increase supplier confidence in quality management;
- To address the challenges that suppliers encounter in their actual operations, assign our expert team directly to suppliers' production sites to provide guidance and oversight over their production process and assist them in resolving issues in the quality control process;
- Provide technical support to suppliers to help them overcome product quality challenges and improve the consistency and reliability of their products.

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY *(continued)*

Assistance to improve the supply chain quality of traditional Chinese medicinal materials

The Group has been committed to the quality research and base construction for genuine medicinal materials, and has constructed traditional Chinese medicinal material bases through three models: self-construction, joint construction, and self-construction + joint construction. During the Year, we worked together with medicinal material suppliers to complete the construction of 23 jointly built bases for 12 key medicinal materials, including varieties of Isatis indigotica, Acorus tatarinowii, Pogostemon cablin, Curcuma aromatica, Forsythia suspensa, Rehmannia glutinosa, Anemarrhena asphodeloides, Phragmites communis, Saposhnikovia divaricata, Panax notoginseng, Astragalus membranaceus, and Codonopsis pilosula, covering a total area of over 10,800 mu, providing raw medicinal materials with uniform and stable quality for the production of key varieties. During the Year, the Group purchased over 5,190 tonnes of dried medicinal materials.

We have 5,000-mu self-built and 2,000-mu jointly built medicinal material bases in Hunyuan County, 8,000-mu jointly built standardized GAP (Good Agricultural Practice for Chinese Crude Drugs) bases in Tianzhen County and Yanggao County of Datong City in Shanxi Province – the genuine producing areas of Astragalus membranaceus; and 5,000-mu jointly built Astragalus membranaceus GAP bases in Yulin City in Shaanxi Province. These Astragalus membranaceus bases adopt a cultivation model in which Astragalus membranaceus is sown manually and left to grow naturally. Without watering, fertilizing, or using pesticides, it is ensured at the source that high-quality and genuine Astragalus membranaceus is produced.

In 2023, we continued to promote the construction of self-built bases, establishing a 200-mu Forsythia suspensa cultivation demonstration base and a 37-mu Rehmannia glutinosa cultivation demonstration base in Linfen City, Shanxi Province, a genuine producing area of Forsythia suspensa; for jointly built base construction, by partnering with suppliers in a joint base construction model, we established a 78-mu Pogostemon cablin cultivation demonstration base in Meizhou City, a genuine producing area of Pogostemon cablin, further ensuring the stable supply of medicinal materials.

With the increasing market demand over the past few years, the resources of wild Acorus tatarinowii have been significantly depleted. In cooperation with a local pharmaceutical enterprise and under the technical guidance of the expert team of Sichuan Academy of Traditional Chinese Medicine, we have completed the construction of bases for Acorus tatarinowii cultivated in simulated wild conditions. The base area is planned to reach more than 4,000 mu in the next four years. To improve the quality of Acorus tatarinowii, we have completed the construction of cleaning processing workshops in the producing areas of Acorus tatarinowii, together with a local pharmaceutical enterprise, to unify the processing of Acorus tatarinowii in the producing areas, which ensures the uniform and stable quality of medicinal materials.

At present, initial results have been achieved with these traditional Chinese medicinal material bases. While meeting the Group's needs, they can also be sold to stabilize the huge price fluctuations caused by supply and demand imbalances, etc., and supply the Group with raw materials of stable quality.

In addition, following the standard requirements stipulated by the industry under the Implementation Guide for Traditional Chinese Medicine Traceability System, the Traditional Chinese Medicine Traceability Information Requirements – Cultivation of Traditional Chinese Medicinal Materials, and the Traditional Chinese Medicine Traceability Information Requirements – Production of Traditional Chinese Medicine Tablets, the traditional Chinese medicine ("TCM") business department of the Company established a TCM traceability system management software platform.

As at the end of the Reporting Period, Livzon had completed the construction of a full-process traceability system and the QR code traceability management for the cultivation bases of 11 key medicinal materials. It is possible to check the entire process of medicinal material cultivation through a software platform and traceable QR codes, which ensures that the sources of traditional Chinese medicinal materials and their whereabouts can be traced and verified, and all parties concerned can be held accountable. As such, we have further improved the quality and safety of our TCM products and increased our supply chain transparency.

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY *(continued)*

Supplier training on quality assurance

To control the quality risk of the supply chain, we conduct annual training on quality assurance for all high risk suppliers of the Group. The Group develops an annual supplier training plan every year and conducts trainings for suppliers in both online and offline forms or by providing relevant materials to suppliers or by other means.

We determine the training content according to the problems found in the process of the supplier appraisal and supplier audit, so as to improve the training efficiency and effectiveness. The training content includes guiding suppliers to improve the establishment of quality management systems and raise the level of process quality. In addition, we provide suppliers with trainings on ESG-related content, including business ethics, anti-corruption, EHS, social responsibility, etc., in order to first raise awareness, strengthen internal quality, and convey more clearly to Livzon's partners our win-win philosophy via sustainability.

During the Year, the Group's supplier trainings on quality assurance covered all high risk suppliers of the Group.

Case: Supplier training on quality assurance

- In November 2023, Livzon MAB held a quality training for 6 suppliers of production materials (including suppliers of raw materials/auxiliary materials, and packaging materials). During the training process, Livzon MAB elucidated the contents such as quality acceptance criteria and usage requirements, supplier quality requirements, quality audit management procedures, supplier rating schemes, EHS audit requirements, target management requirements of energy conservation and emission reduction, etc. This training strengthened the suppliers' understanding of Livzon's quality requirements and supplier management, thereby helping improve the quality of the supply chain.

- In December 2023, the supply chain department of Sichuan Guangda, in collaboration with the quality department, engaged more than 30 suppliers in an online training. The training provided suppliers with in-depth explanations on laws and regulations, supply quality requirements for raw materials, auxiliary materials and packaging materials, material quality issues, etc.

- From June to July 2023, Pharmaceutical Factory conducted training for direct critical suppliers and key suppliers on "Establishment and Improvement of Quality Management Systems". This training strengthened the suppliers' understanding of the quality systems in the pharmaceutical industry, solidified the quality management rules for suppliers, and improved product quality assurance.

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY *(continued)*

Supplier training on quality assurance *(continued)*

Case: Provision of on-site guidance to suppliers

Limin Factory actively collaborated with key material suppliers on overseeing the production of materials on-site to help suppliers maintain process stability and control material quality at source. In 2023, Limin Factory provided on-site guidance to a supplier of glass infusion bottles, communicating and researching with them on the problem of "neck explosion" in the glass bottles. After commissioning, a solution was finally found that improved the supplier's product pass rate. Through on-site guidance, Limin Factory not only ensured the quality of materials and reduced wastage in the drug manufacturing process due to material quality issues, but also helped the supplier improve their product pass rate, achieving a win-win situation.

Case: Provision of technical support to suppliers

- Livzon Diagnostics

  Livzon Diagnostics assisted a supplier in optimizing the card surface production process and standards for the gold-labeled MP-IgM test cards by repurposing idle inkjet printers for printing on the surface of the gold-labeled MP cards.

  After the implementation of this technological solution, the printing method for the card surface of the gold-labeled MP-IgM test cards changed from manual silk-screen printing to automated inkjet printing with an inkjet printer. This not only reduced material costs for Livzon Diagnostics, but also improved the supplier's supply ability. In 2023, this technological innovation afforded Livzon Diagnostics a 5% reduction in material costs, achieving a win-win situation.

- Livzon Hecheng

  In 2023, Livzon Hecheng discovered a quality problem of rubber crumbs and burrs present on the surface of rubber sealing rings provided by a supplier. It immediately organized personnel from the procurement, production, and quality departments to conduct an on-site audit of the supplier. Livzon Hecheng identified the root cause of the problem during the audit and provided technical guidance and support to the supplier, who promptly completed corrections. Following this incident, Livzon Hecheng conducted audits on the trimming control of rubber rings for all suppliers of such products, which improved the quality level of the suppliers' rubber rings, reduced the quality risk of materials, and ensured drug safety to the fullest extent.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN

To promote the establishment of a clean supply chain, the Company has formulated the Code of Conduct for Suppliers, the Anti-Corruption and Anti-Commercial Bribery Regulations, the Administrative Measures for Whistleblowing and Complaint, and the Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal, and has issued the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery and the Supplier Commitment for Operating with Integrity on the official website of the Company.

The senior management of the Company, all management personnel at the deputy manager level or above of each subsidiary and staff in key positions (procurement, engineering, EHS, etc.) have signed the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery. During the Year, all employees of the Group signed the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery.

In addition, the Company formulated the Administrative Measures for Construction Project Suppliers, which detailed the integrity requirements for engineering equipment suppliers and increased the transparency of entry and procurement procedures, thereby further promoting the establishment of a clean supply chain. Under these measures, if a supplier bribes or provides other improper benefits to procurement personnel, bidding personnel, judges, or project personnel, it will be blacklisted by the Company, precluding any future cooperation.

External constraints and supervision

Our anti-corruption policies regulate all external economic activities of the Group. We require all interested parties (including all suppliers, service providers, contractors, clients, etc.) that have business relationship with the Group to comply with the Anti-Corruption and Anti-Commercial Bribery Regulations of the Company and sign the Supplier Commitment for Operating with Integrity.

As at the end of the Reporting Period, the signing rate of the integrity commitment by all the suppliers that have business relationship with the Group reached 100%.

The Company's Code of Conduct for Suppliers (the "Code") requires all suppliers of the Group to comply with the Group's anti-corruption policy, adhere to the highest standards of business ethics when conducting business and operations, and establish effective mechanisms for control, supervision, review, and resolution to ensure compliance and fulfillment.

Furthermore, the Code requires suppliers to agree that the Group and/or any of its agents have the right to conduct compliance reviews/audits on them (including visit to facilities related to the products and services provided to the Group and all relevant records), and requires suppliers to implement corrective or improvement measures based on the review/audit results, so as to ensure and verify compliance with the Code.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN *(continued)*

External constraints and supervision *(continued)*

To comprehensively strengthen the anti-corruption management for all parties that have business relationship with the Group, we have incorporated integrity commitment clauses and clauses that require compliance with the Company's Code of Conduct for Suppliers in all commercial contract templates of the Group, which require the counterparties such as suppliers to commit to operating with integrity, commit to complying with the Company's Code of Conduct for Suppliers and the Group's ESG requirements, and take active part in integrity trainings organized by the Group. If there is any violation, the Group has the right to terminate the contract. When signing a contract with the Group, the supplier must also sign the Supplier Commitment for Operating with Integrity which will be kept on file, pledging to follow Livzon's anti-corruption policies. If there is any breach of commitment, the Group will disqualify such suppliers and terminate the contracts, and will transfer those suspected of crime to the judicial organs.

As a result of the above measures, the Group's anti-corruption policy has become materially binding on all suppliers and other counterparties in the legal form of the signing of commitments and contracts.

In addition, to verify whether suppliers have complied with the anti-corruption policies of the Group, we regularly assess suppliers' performance of business ethics such as anti-corruption on an annual basis: There are no less than 4 assessments per year for critical suppliers, no less than 2 assessments per year for key suppliers and no less than 1 assessment per year for critical indirect suppliers.

At the same time, supplier integrity audit is also an important way for us to monitor and verify suppliers' compliance with the Group's anti-corruption policies. We regularly conduct anti-corruption audits on all critical suppliers, key suppliers and general suppliers (i.e. all tier 1 suppliers). Also, we require all subsidiaries to report the annual audit findings to the risk management head office of the Company. During the Year, we conducted anti-corruption audits on 670 suppliers.

In addition, the Company conducts follow-up inspections of the Group's major construction projects on a quarterly basis, and also conducts random checks from time to time on bidding and procurement files, contracts, financial payments and other documents, so as to ensure the compliance of each business and avoid the occurrence of bribery and corruption.

In daily operations, the risk control departments of each enterprise of the Group continuously monitor the procurement process and annually conduct trainings on business ethics such as anti-corruption for suppliers. During the Year, we conducted trainings on business ethics such as anti-corruption for our tier 1 suppliers (including critical suppliers, key suppliers, and general suppliers), and required tier 1 suppliers to conduct trainings on business ethics such as anti-corruption for our critical indirect suppliers.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN *(continued)*

External constraints and supervision *(continued)*

Case: Provision of anti-corruption trainings for suppliers

- The API business department of the Company annually conducts anti-corruption trainings for suppliers, targeting suppliers' quality, procurement, safety, production personnel, etc., to educate suppliers on anti-corruption and integrity. In 2023, the API business department conducted 75 supplier anti-corruption training sessions, covering topics such as the Group's anti-corruption requirements, business ethics, anti-corruption laws and regulations, and case studies. These trainings conveyed the Group's business ethics philosophy to suppliers and made them acutely aware of the importance of anti-corruption, promoting suppliers' operation with integrity and preventing the occurrence of misconduct.

- During the Year, Limin Factory conducted 32 anti-corruption training sessions for all critical suppliers and key suppliers, primarily targeting the suppliers' sales, production, and quality personnel. These anti-corruption trainings elaborated on relevant laws and regulations, interpreted the definitions of bribery, giving bribes, and commercial bribery, and clarified legal responsibilities and punitive measures for suppliers. This effectively strengthened the suppliers' ethical beliefs and compliance, increased their awareness of anti-corruption and integrity, and achieved long-term and sincere cooperation with suppliers.

- During the Year, Sichuan Guangda conducted anti-corruption and anti-commercial bribery trainings for over 40 critical suppliers and key suppliers of traditional Chinese medicinal materials, raw materials, auxiliary materials, and packaging materials, targeting the people in charge of sales, quality and EHS/ESG at the suppliers. These trainings reiterated the compliance requirements at each stage of supply chain management to enhance the suppliers' understanding of the Group's anti-corruption related policies and the Company's Code of Conduct for Suppliers, and to eliminate commercial bribery, corruption and other violations of laws and regulations.

- During the Year, Ningxia Pharma conducted 27 business ethics and anti-corruption training sessions for suppliers, covering topics such as trade secret protection, anti-corruption laws and regulations, business ethics, and knowledge of criminal compliance. Through regulation and case studies, interactive discussions, and other forms, suppliers gained a deep understanding of the importance of anti-corruption laws and regulations and business ethics and improved their awareness of compliance and integrity. These trainings also solidified the cooperative relationship between Ningxia Pharma and its suppliers.

- During the Year, to regulate the conduct of suppliers and prevent the occurrence of commercial bribery and other corruption incidents, Livzon Diagnostics conducted anti-corruption trainings for 63 critical suppliers and key suppliers to disseminate and explain the Anti-Corruption and Integrity Commitment for Procurement and the Company's business ethics requirements and require suppliers to implement them.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN *(continued)*

Internal regulation and management

While proposing requirements on the conduct of suppliers, we also strictly regulate internal management and processes. The Group has established a full-process management system of "ex ante involvement, ad interim control and ex post supervision", and has fully launched a digital supplier management platform – the Supplier Relationship Management system (the "SRM system") to track, manage and trace the whole process of procurement business. These internal management measures can effectively prevent the risk of malpractice in the internal supplier management process, ensure fair and equitable procurement, and promote the Group's establishment of a clean supply chain. Examples of internal management measures include:

Supplier entry

- Entry qualifications must be inspected by several departments, and suppliers can only be qualified after review and approval;
- Supplier information must be registered in the SRM system prior to adding suppliers to the pool, and once added, suppliers are subject to dynamic classification management;
- All information entered into the SRM system is traceable to ensure openness and transparency;
- The procurement staff have no permission to add suppliers to the system.

Procurement of bulk materials and engineering equipment

- Public tender is required by announcement on the Company's official website;
- For newly introduced suppliers, risk assessments are conducted on multiple dimensions, including corporate strength, legal risk, operation compliance, etc., and investigation teams are formed for on-site investigations when necessary.

Daily material procurement business

- Suppliers make quotations in the Group's SRM system;
- If the procurement amount is within the prescribed limit: multiple departments must be involved in the bidding;
- If the procurement amount is below the prescribed limit: the procurement will be carried out by inquiry for quotation.

Bidding process

- Each subsidiary assumes primary responsibility. The Company's legal compliance head office, production technology head office, and engineering center are responsible for developing and reviewing comprehensive bid evaluation rules. The Company's risk management head office conducts on-site supervision based on project risk control requirements;
- The whole process is traced in the SRM system.

8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY

Supply chain risk assessment is an essential component of Livzon's supply chain management. We conduct comprehensive identification, assessment and control of supply chain risks to minimize supply chain risks, classify suppliers according to the risk levels of suppliers, develop targeted precaution mechanisms, preventive measures and risk treatment plans, and impose responsibilities on project leaders and support teams, so as to continuously ensure the stability and security of the supply chain and mitigate the systemic risk of the supply chain.

According to the requirements of the Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal of the Company and the Supplier Risk Management System of the Group's manufacturing enterprises, the Group conducts a regular supply chain risk assessment of its direct suppliers and critical indirect suppliers every year. The assessment includes at least the following 14 indicators:

8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY *(continued)*

The frequency of supply chain risk assessment:

- The supply risk assessment of critical suppliers shall not be less than four times a year.
- The supply risk assessment of key suppliers shall not be less than twice a year.
- The supply risk assessment of critical indirect suppliers shall not be less than once a year.
- The supply risk assessment of general suppliers shall be determined by the enterprises according to the actual situation.
- When unexpected events (e.g. natural disasters, major safety or environmental accidents, international turbulence, etc.) may affect the normal supply, the enterprises shall immediately initiate the supply risk assessment of suppliers.

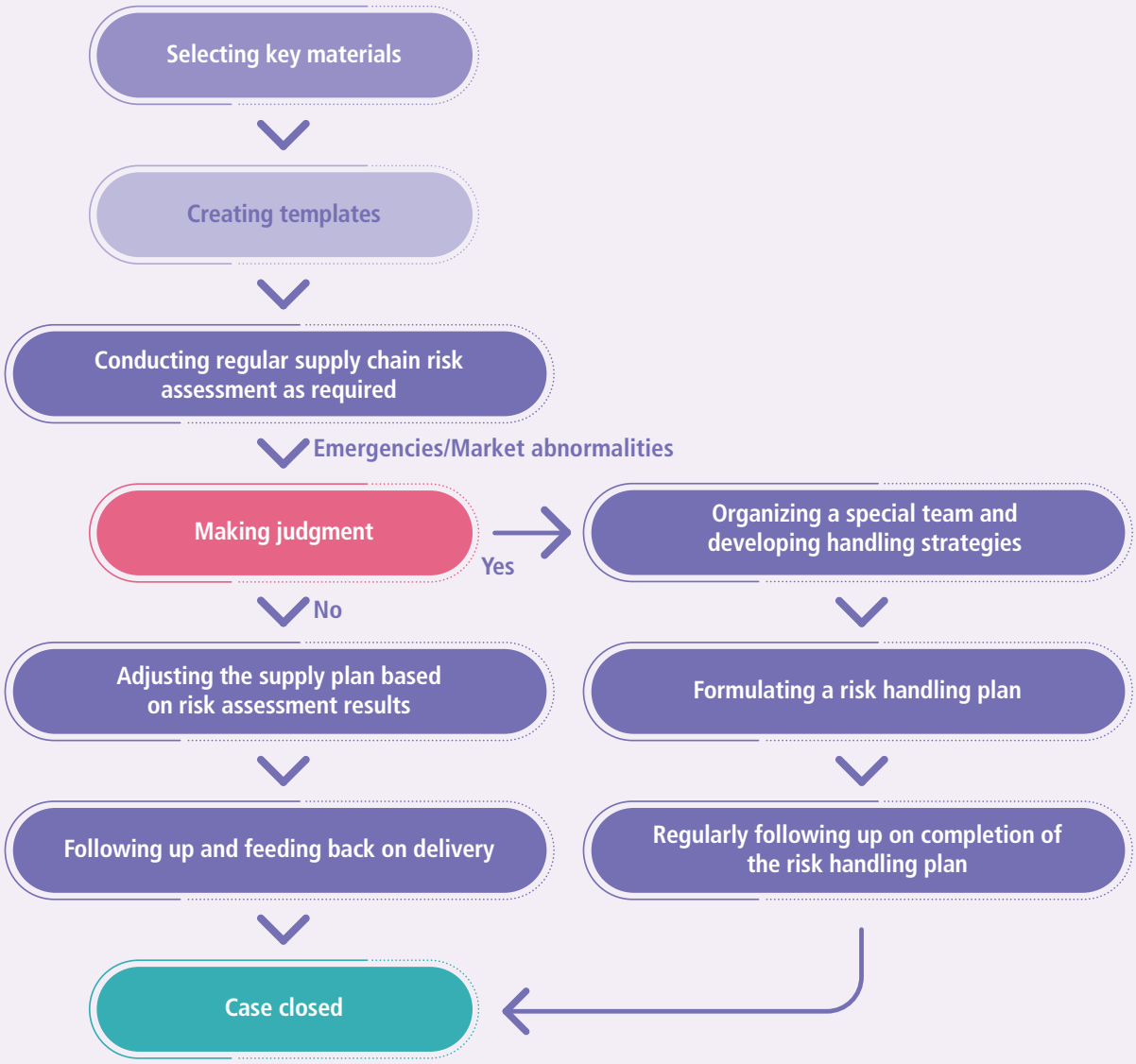
According to the supply chain risk assessment results, we categorize suppliers into three levels of high risk, medium risk and low risk. For high-, medium-, and low-risk suppliers, the Group formulates corresponding contingency plans for emergencies and principles of response measures. For high-risk suppliers, we formulate risk treatment plans, including short-, medium-, and long-term response measures, and impose responsibilities on project leaders and support teams, striving to minimize supply risks. For medium-risk suppliers, we formulate risk prevention measures and precaution mechanisms. In case of serious circumstances, we will upgrade them to high-risk suppliers for management and control. For low-risk suppliers, we regularly assess and monitor their risk levels according to the requirements of relevant internal systems.

During the Year, we conducted a supply chain risk assessment combining both qualitative and quantitative analysis across the above 14 assessment dimensions. Overall, our suppliers performed well, with only 5 rated as high risk. We effectively prevented and controlled these high-risk factors and implemented improvement measures. For example, we assisted high-risk suppliers to complete deficiency corrections and resolve existing problems through technical communication and collaboration between us, and temporarily suspended purchases from them until they completed such corrections. In response to other identified supply chain risks, such as downward trends in bulk grain prices, short supply of raw materials, significant price increases in traditional Chinese medicinal materials, and shortages of raw materials due to medical insurance centralized procurement, we timely adjusted our procurement strategies and effectively reduced supply chain risks.

We have specified the respective responsibilities of each department of the enterprises for the management of supply chain risks, stipulated the principles of supply chain risk assessment and supply chain risk control process, and established appropriate principles of response measures for each type of supply chain risks. Meanwhile, we require each enterprise to prepare an Annual Supplier Risk Assessment Report each year and submit it to the Company's production technology head office for reporting and review. As such, a comprehensive and systematic risk mitigation process and control system has been established for the supply chain risk management of the Group.

8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY *(continued)*

Supply Chain Risk Control Process of Livzon



8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY *(continued)*

For general supply chain risks and special supply chain risks, we have established appropriate response measures, respectively, as described below:

➤ **General response measures:**

- Establish and improve dual sourcing plans, and build back-up manufacturing sites;
- Strengthen communication and sign long-term agreements with suppliers, and ensure priority in the delivery of materials; urge suppliers' performance of procurement agreements, and, when necessary, assign personnel to their plants for this purpose;
- Actively develop new suppliers to avoid exclusive supply, optimize supply chain distribution, and reasonably allocate the proportion of imported and domestic materials;
- Accelerate work related to sourcing, testing, certification, registration, etc. of domestic materials as replacements for imported materials;
- Regularly investigate the price trend of bulk key materials;
- Carry out regular visits to suppliers to understand the production and operation of suppliers;
- Develop and deploy suppliers for key varieties in advance, and promote the quality improvement of alternative suppliers;
- Try the best to ensure the availability of at least 2-3 qualified suppliers in different regions for each type of material.

➤ **Specific response measures:**

- For key materials involved in key products, formulate supplier supplementation plans, and develop and deploy suppliers in advance;
- For materials supplied by high-risk suppliers, adopt a safe inventory strategy by establishing a reasonable inventory (to meet the production needs of six months or up to one year) and carrying out dynamic management;
- For exclusively supplied materials that cannot be replaced temporarily, increase the frequency of on-site audits or jointly build bases to urge the supply and ensure product quality, so as to reduce supply risks;
- For suppliers of materials with a long order cycle (such as imported materials), sign annual long-term agreements with them to ensure annual supply;
- Develop futures hedging business to hedge the risk of price fluctuations of bulk materials such as corn starch and glucose, and to stabilize procurement costs.

8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY *(continued)*

During the Year, we established back-up manufacturing sites and continued to promote dual sourcing from the two aspects of minimizing single sourcing for key materials and sourcing alternatives for imported materials:

- As at the end of the Reporting Period, the Group had 2 new manufacturing sites in operation / trial production and 2 more manufacturing sites under construction.
- We actively sought new sources, expanded our supplier pool, and upgraded the supply of 81 materials from a single supplier to 2 or more suppliers, further improving the stability of the Group's material supply.
- With respect to sourcing alternatives for imported materials, we implemented domestic alternatives for 7 types of imported materials, striving to mitigate the risk of supply disruptions due to international trade or geopolitics.
- 3 suppliers carried out construction of production bases by adding back-up manufacturing sites to ensure supply for production. Relying on suppliers' construction of back-up manufacturing sites, our supply chain risk was mitigated.

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN

Livzon highly emphasizes green development in its supply chain, taking active social responsibility and promoting green and low-carbon development of the supply chain. We are expecting concerted efforts with our supply chain partners to establish a green and low-carbon sustainable supply chain.

In our supplier selection decisions, we consistently emphasize the consideration of ESG factors. We regard suppliers' ESG performance as an important criterion for selection. By linking procurement share to the EHS audit results and the appraisal results of energy conservation and emission reduction, we actually include suppliers' green and low-carbon business performance as an indicator in our comprehensive assessment of market-based procurement.

We conduct EHS audits of suppliers, impose green development requirements on suppliers, such as energy conservation and emission reduction, and sign green management agreements with suppliers to define their responsibilities in environmental protection, social responsibility, and sustainable production.

As at the end of the Reporting Period, we had conducted ESG assessments of all suppliers, including reviews of suppliers' environmental policies and practices, energy efficiency, waste treatment methods, social responsibility performance, etc., to ensure that their production and operations comply with Livzon's green management standards.

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN *(continued)*

8.5.1 Supplier EHS audit

In order to incorporate ESG into the supply chain management strategy, all manufacturing enterprises of the Group have established the Administrative Procedures for Supplier EHS Audit, which incorporates EHS into supplier audits and clarifies the content and management requirements of EHS audits. The EHS audit results will directly affect the allocation of procurement shares in the following year, thereby exerting a materially binding force on the supplier's EHS performance and achieving the incorporation of ESG into the Group's supply chain management strategy. Meanwhile, all subsidiaries have appointed liaison officers for ESG promotion who report directly to the general managers, and encouraged suppliers to improve their corporate governance, social responsibility fulfillment, and risk control capabilities.

The specific requirements for managing and conducting supplier EHS audits are as follows:

- Basic principle: EHS audit must be included in the annual supplier audit plan;
- Audit scope and frequency: consistent with the requirements of supplier audit. For details, please refer to the relevant content of "8.1.3 Supplier audit" in this chapter;
- Audit content: It mainly includes the implementation of the "three simultaneous" system, energy conservation and emission reduction, compliance with discharge requirements of pollutants (including toxic release such as waste gas, wastewater, hazardous waste, etc.), toxic release footprint, the compliance of solid waste collection and disposal, the ISO system certification, the progress of safety standardization, EHS certification, etc. In particular, the audit targets of energy conservation and emission reduction are as follows:
    - 1.5% decrease in water consumption per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1.5% decrease in electricity consumption per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1% decrease in COD emissions per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1% decrease in sulfur dioxide emissions per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - Amount of hazardous waste to be treated in the next fiscal year not exceeding that in the current fiscal year, and meeting national standards and regulatory requirements.
- Staffing requirements: The audit team shall include EHS management professionals;
- Audit methods and process: written or on-site audit; upon completion of the audit, prepare an annual audit report of the supplier containing the key points and results of the EHS audit, and submit it to the Company's production technology head office for reporting and review;

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN *(continued)*

8.5.1 Supplier EHS audit *(continued)*

The specific requirements for managing and conducting supplier EHS audits are as follows: *(continued)*

- Urge suppliers to use more environmentally-friendly products and services and to improve their EHS performance;
- Give preference to suppliers with environmentally-friendly products and services;
- Give preference to suppliers with higher EHS audit scores under the same conditions.

8.5.2 Sustainable procurement

Livzon has been active in the promotion of sustainable procurement to facilitate the establishment of a green supply chain. All manufacturing enterprises of the Group have established the Administrative Procedures for Energy Conservation and Emission Reduction for Suppliers, which impose targets and management requirements related to energy conservation, emission reduction and pollutant discharge reduction on all critical suppliers (For definition of critical suppliers, please refer to Section 8.1.2 "Classification of suppliers" in this chapter) of the Group. Please see the following for details:

- Appraisal targets: Set specific plans and appraisal targets for suppliers according to their actual situation, such as reducing consumption of water and electricity and other resources, and reducing discharge of pollutants (including toxic release such as waste gas, wastewater, hazardous waste, etc.). Please see the following for details:
    - 1.5% decrease in water consumption per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1.5% decrease in electricity consumption per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1% decrease in COD emissions per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1% decrease in sulfur dioxide emissions per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - Amount of hazardous waste to be treated in the next fiscal year not exceeding that in the current fiscal year, and meeting national standards and regulatory requirements.
- Appraisal cycle: Suppliers shall submit a report on the results of energy conservation and emission reduction to the Group every six months, and the Group shall conduct annual appraisal of suppliers and continuously track the improvement of suppliers.
- Appraisal results: The results of the annual appraisal will be included in the annual comprehensive supplier appraisal and used as an important basis for the allocation of procurement shares in the following year.
- Under the same conditions, priority will be given to suppliers with good environmental performance, especially those listed in the green factory or green supply chain.

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN *(continued)*

8.5.2 Sustainable procurement *(continued)*

We pay close attention to suppliers' energy efficiency and utilization of renewable energy sources. We actively provide guidance, advice, technical support, and ESG trainings across various dimensions for our suppliers to help them improve their ESG management performance, obtain relevant certifications and successfully achieve their energy conservation and emission reduction targets. At the same time, we urge suppliers to develop and implement various measures, including establishing environmental and energy management systems, promoting clean production, prioritizing the use of advanced process and equipment, using clean energy, conducting energy conservation and emission reduction, recycling water resources, transforming technology and improving process, etc. We regularly review suppliers' progress in energy conservation and emission reduction to ensure they meet their targets within a set timeline. In addition, we establish close cooperative relationships with our suppliers to jointly develop emission reduction projects and share best practices. We also continue to optimize our supply chain, minimizing unnecessary transportation and inventory to reduce overall energy consumption. Through the above series of measures, we have proactively established a green supply chain and achieved sustainable procurement.

Through dedicated efforts throughout the Year, our suppliers have made positive progress in energy conservation and emission reduction. We will establish even closer cooperative relationships with our suppliers to jointly develop emission reduction projects and share best practices.

ESG empowerment program

We are actively engaged in ESG empowerment programs for our suppliers and help them improve their ESG performance through training, technical guidance, and other means. Meanwhile, we take the initiative to provide extensive trainings on supply chain ESG management for the Group's employees in positions related to procurement, EHS, and ESG, etc., enabling them to become familiar with the Group's ESG management requirements for suppliers, understand their roles in the supplier ESG management program, and acquire professional knowledge of supply chain ESG management. The aim is to support employees in implementing Livzon's ESG management requirements for suppliers in their daily work.

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN *(continued)*

8.5.2 Sustainable procurement *(continued)*

ESG empowerment program *(continued)*

Case: Support to suppliers in improving their ESG performance

- Sichuan Guangda

  In 2023, Sichuan Guangda organized its employees to visit the headquarters of a packaging material supplier to conduct on-site ESG training for them. By assisting the supplier in sorting out its annual targets for energy conservation and emission reduction, and analyzing existing weaknesses and gaps, Sichuan Guangda and the supplier jointly developed the next steps for emission reduction. These included adding a rotary regenerative thermal oxidizer (RTO) to replace the original two-stage activated carbon treatment process, upgrading the rotary RTO, and adding a zeolite rotor system.

  After comprehensive facility and process upgrades, the supplier effectively improved the collection and treatment efficiency of diffuse waste gas, achieved a 17% substitution of water-based raw materials for oil-based raw materials, reduced organic air emissions by 15% over the Year, and also improved the working environment for the supplier's employees. Through this training, Sichuan Guangda practically fulfilled Livzon's environmental and social responsibilities, and also helped partners move towards green and sustainable development together.

- Limin Factory

  In October 2023, Limin Factory conducted a related on-site audit at a supplier and provided on-site EHS training during the audit. The training content included environmental protection, occupational health and safety management, hazardous materials management, etc. This training improved the supplier's EHS awareness and management level and helped them better understand and address related ESG risks and challenges. In addition, this training helped the supplier understand industry best practices and successful cases through case studies, and encouraged them to engage in industry experience exchanges to jointly tackle the difficulties and challenges in EHS and ESG management.

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN *(continued)*

8.5.2 Sustainable procurement *(continued)*

ESG empowerment program *(continued)*

Case: Provision of supply chain ESG management training for employees

In November 2023, the production technology head office of the Company organized employees from the supply chain departments, EHS departments, and quality departments of all subsidiaries of the Company to actively participate in the training on "Building Supplier and EHS Requirements under the Medical Enterprise ESG System" in a hybrid online and offline format.

The training covered four aspects of supplier management: ecological environmental responsibility, social responsibility, sustainable procurement with business ethics, and supply chain capability improvement. It raised our employees' overall understanding of supply chain ESG management and greatly benefited all participants.

8.6 DRIVING INDUSTRY DEVELOPMENT

Livzon actively participates in the activities of industry associations, and now becomes formal members and holds positions such as vice-chairman, executive director and board member of several associations. By providing assistance in the development of industry standards, delivering academic presentations, preparing teaching materials, and participating in seminars, industry conferences and forums, we have actively helped improve industry standards and kept promoting the high-quality development of the pharmaceutical industry.

Case: Participation in the drafting and revision of industry management measures

During the Year, Limin Factory, as a member of the Specialty Committee of Qualified Persons in Pharmaceutical Manufacturing of the Guangdong Pharmaceutical Association, participated in the drafting and revision of the Administrative Measures for Qualified Persons in Guangdong. After the completion of meeting discussions, public opinion solicitation, and expert panel demonstration in December 2023, the Administrative Measures for Qualified Persons in Guangdong (Revised) (Draft for Review) was formed.

This revision focuses on aspects such as entry, performance, training, evaluation, assessment, and punishment of qualified persons, thereby forming a qualified person system in which responsibilities, rights and benefits are aligned. The aim is to professionalize qualified persons and ensure that they perform their duties conscientiously and always from the perspective of protecting the public drug safety and legal rights, thus ensuring safe drugs for the people and the healthy development of the industry.

Case: Participation in Convention on Pharmaceutical Ingredients (CPHI China)

On 19 June 2023, Pharmaceutical Factory organized supply chain management and the management officers from the technical departments to participate in the 21st Convention on Pharmaceutical Ingredients (CPHI China) in Shanghai.

At the CPHI, a global platform for communication and cooperation in the pharmaceutical industry, Pharmaceutical Factory learned about many advanced production equipment and auxiliary equipment, as well as the latest scientific research achievements and technological breakthroughs of pharmaceutical manufacturers. By meeting with over 30 international suppliers, Pharmaceutical Factory gained an in-depth understanding of the industry landscape for key imported raw materials.

Through thorough communication with suppliers on the situation of existing imported materials, supply stability, supply cycles, and subsequent declaration of imported materials, Pharmaceutical Factory not only deepened its understanding of the international raw material supply market, but also strengthened its business cooperation with imported material suppliers.

8.6 DRIVING INDUSTRY DEVELOPMENT *(continued)*

Case: Participation in intelligent manufacturing seminars

To implement Zhuhai's development philosophy of "Putting Industry First, Giving Priority to Manufacturing", as a member of the Zhuhai Intelligent Manufacturing Association, the Company actively participated in activities of the association to build a collaborative platform for intelligent manufacturing resources and raise the level of intelligent manufacturing in Zhuhai.

During the Year, the Company attended seminars on "Equipment System Solutions", "Practice and Application of Advanced Measurement Technology", "Digitalization Drives Low Carbon Manufacturing", etc. During these seminars, the "Automated Production and Conveying System for TCM Particles" case presented by the Company was highly praised by the association members.

Our automated production and conveying system for TCM was officially put into operation in 2023 and has fully passed GMP quality certification. This project has inspirational and demonstrative significance for the association members to participate in the automation of TCM manufacturing equipment and the development of intelligent control digital business.

Case: Participation in the Drug Contamination Control Strategy (CCS) Forum

During the Year, Livzon Hecheng, as a member of the Guangdong Food & Drug Technology Association for Evaluation & Certification, arranged for relevant personnel from the production and quality departments to attend the "5th Drug Contamination Control Strategy (CCS) Forum" organized by the association.

Based on the implementation of CCS in EU GMP Annex 1, this forum dissected contamination risks and focused on topics such as regulatory practices of contamination control by pharmaceutical manufacturers, environmental monitoring, design validation of aseptic process development, and cleaning and disinfection technologies. During the forum, Livzon Hecheng actively engaged in communication and extensively learned about innovative technologies and implementation experiences of contamination control. Through the forum, Livzon Hecheng not only improved the contamination control level of its own aseptic workshop, but also promoted the improvement of the industry's aseptic assurance level.

8.6 DRIVING INDUSTRY DEVELOPMENT *(continued)*

Case: Active participation in industry exchanges

Sichuan Guangda actively participated in industry communication and events to drive industry progress. Examples of events in which Sichuan Guangda participated in 2023 are as follows:

- Conference to promote TCM work across the province organized by the Sichuan Provincial Administration of Traditional Chinese Medicine
- Research and communication activities organized by the Sichuan Institute for Drug Control
- Roundtable Forum at the China Medical and Health Industry Symbiosis Conference
- National Conference of Traditional Chinese Medicines Scientific Supervision (Shanghai)
- Guangdong-Hong Kong-Macao Greater Bay Area Seminar on Innovative Transformation and High-quality Development of Traditional Chinese Medicine

On 31 October 2023, Sichuan Guangda participated in the "Sichuan-Hong Kong-Macao Cooperation Week Traditional Chinese Medicine Activities and Product Promotion Conference" hosted by the Sichuan Provincial Administration of Traditional Chinese Medicine. During the event, Sichuan Guangda prominently showcased its key TCM product, "Anti-viral Granules", and shared its latest research findings in the prevention and treatment of emerging infectious diseases.

Case: Participation in the BIONNOVA South China Forum

In December 2023, Livzon Microsphere, as an innovation-driven enterprise, participated in the BIONNOVA South China Forum. The conference focused on three major areas: small molecules, antibodies, and cell and gene therapy. It reviewed the highlights of pharmaceutical R&D throughout the Year and explored future development directions. Livzon Microsphere also shared its experience in product R&D at the forum to promote the development of the pharmaceutical industry.

8.6 DRIVING INDUSTRY DEVELOPMENT *(continued)*

Livzon's Formal Membership in Industry-Wide Associations (Partial)

- Pharmaceutical Supply Chain Quality Branch of China Quality Association for Pharmaceuticals
- World Federation of Chinese Medicine Societies
- Specialty Committee of Multidimensional Evaluation on Genuine Medicinal Materials of the World Federation of Chinese Medicine Societies
- China Biochemical Pharmaceutical Industry Association
- China Pharmaceutical Enterprises Association
- China Chamber of Commerce for Import and Export of Medicines and Health Products
- China Association of Traditional Chinese Medicine
- Price Association of China
- China Pharmaceutical Industry Association
- China Association for Public Companies
- Specialty Committee of R&D and Manufacturing of Traditional Chinese Medicine Classical Prescriptions of the China Association of Traditional Chinese Medicine
- Specialty Committee of Child Health and Drug Research of the China Association of Traditional Chinese Medicine
- China Ethnic Medical Association – Inheritance and Rational Drug Use Working Committee
- China Food and Drug Corporation Quality and Safety Promotion Association
- Specialty Committee of Traditional Chinese Medicinal Materials Cultivation of the China Association of Traditional Chinese Medicine
- Guangdong Association for Quality
- Specialty Committee of Qualified Persons in Pharmaceutical Manufacturing of the Guangdong Pharmaceutical Association
- Pharmacovigilance Alliance of the Guangdong Pharmacological Society
- Guangdong Pharmacological Society
- Sichuan Medical and Health Products Cosmetics Quality Management Association
- Sichuan Pharmaceutical Industry Association
- Sichuan Traditional Chinese Medicine Development Promotion Association
- Guangdong Bio-pharmaceutical Innovation Technology Association
- Guangdong Food & Drug Technology Association for Evaluation & Certification
- Guangdong Province Pharmaceutical Industry Association
- Guangdong Association of Traditional Chinese Medicine
- Guangdong Medical Price Association
- Guangdong Preventive Medicine Association
- Alliance for R&D and Technological Innovation in Vaccines for Emerging Infectious Diseases
- Zhuhai Preventive Medicine Association
- Guangdong Drug Compliance Insurance Organization
- Shanghai Pharmaceutical Profession Association
- Animal Health Products Association of Guangdong Province
- Fuzhou Pharmaceutical Association
- Qingyuan Management Association of Precursor Chemicals
- Zhuhai Management Association of Precursor Chemicals

9

TAKE HUMAN AS THE FOREMOST

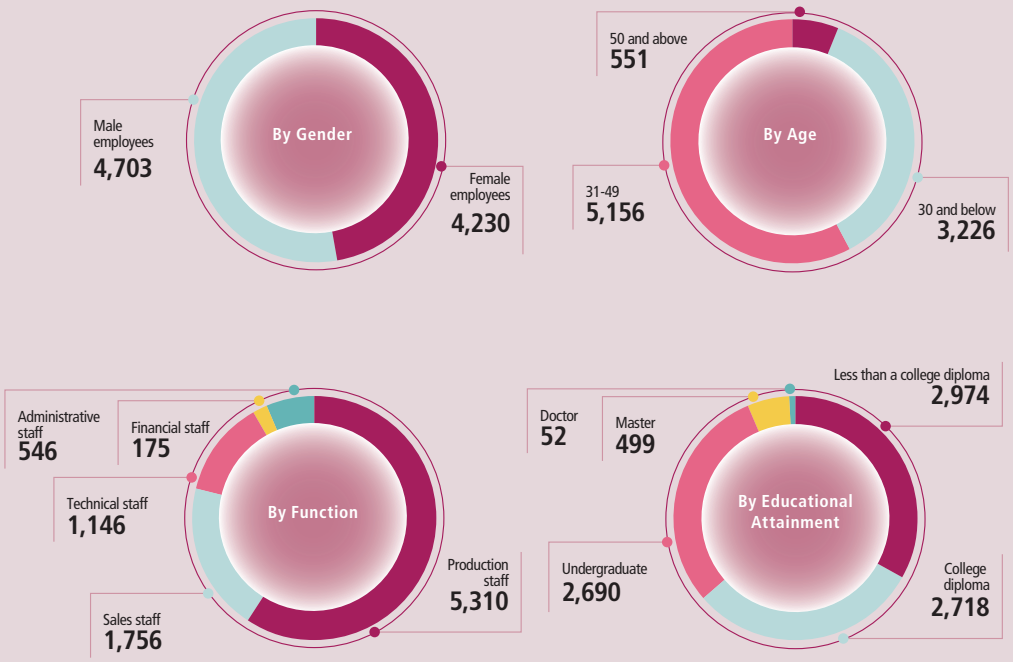
Livzon upholds the talent cultivation philosophy of "Employees are the Company's most valuable resource, and high-caliber talents are the Company's most important asset", adheres to the principle of diversity and inclusion, and actively expands the channels for talent introduction. Attaching great importance to building talent pipeline, we have established a systematic talent training system to provide employees with tailor-made career development channels. We continue to improve occupational health and safety management, guide employees to healthy and safe growth, and jointly achieve the goal of sustainable corporate development.

9.1 EMPLOYMENT

Livzon always considers high-quality talents as the core competitiveness for corporate development. We are committed to protecting the legitimate rights and interests of employees, standardizing employee recruitment and employment processes, improving the employment management system, and eliminating any form of discrimination or harassment, so as to create a diverse, equal, and inclusive working environment for employees.

As at the end of the Reporting Period, the Group had a total of 8,933 employees (31 December 2022: 9,005 employees)

Livzon's Number of Employees in 2023



9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment

Livzon strictly abides by the Labor Law of the PRC, the Labor Contract Law of the PRC, the Provisions on the Prohibition of Using Child Labor, the Social Insurance Law of the PRC, and other relevant national and local laws and regulations. Meanwhile, Livzon abides by the ten principles of the United Nations Global Compact, the core conventions of the International Labor Organization ("ILO") and other external human rights protection related requirements. The Company's compliant employment code has been developed in accordance with the requirements of the above-mentioned international conventions.

The Company has formulated the Code of Labor Employment and Ethical Conduct (the "Labor Code"), which covers the ten principles of the United Nations Global Compact, the ILO core conventions and other external human rights protection related requirements, and is published on the Company's official website. The Labor Code is applicable to all operations of the Group and all permanent employees, part-time employees and temporary employees of the Group, as well as all suppliers, contractors, service providers, clients and other partners that have business relationship with the Group. The Labor Code is designed to standardize the Group's employment management and specify the code of ethical conduct so as to fully respect and protect human rights and protect labor rights and interests.

Summary of the Labor Code of Livzon

1. The scope of application of the Code is the Group and all of its permanent employees, part-time employees and temporary employees, as well as all clients, suppliers, service providers, contractors and other partners that have business relationship with the Group. Each unit shall fully abide by the Code while making its own human resources and related policies.

2. Wage distribution shall be made according to individual performance, following the principle of equal remuneration for work of equal value.

3. The Group's recruitment and employment follows the principle of fairness, impartiality and openness. The recruitment is based on job qualifications and the ability of the candidate, regardless of age, ethnicity, race, family status, ethnic background, skin color, gender, sexual orientation, religious belief, social origin, nationality, disability, pregnancy, etc. Each unit shall ensure equal opportunities during the employment process and reject all acts of discrimination and prejudice.

4. The Group prohibits the use of child labor, and all units are forbidden to recruit and employ minors under the age of sixteen.

5. The Group respects employees' freedom of association. Employees have the right to freely choose to form or join a trade union.

6. The trade union has the right to bargain with the Group on an equal footing on behalf of the employees and sign collective agreements according to law.

7. The Group strives to create a physically and mentally healthy working environment for employees. The Group guarantees the labor safety and health protection of employees in the workplace in accordance with the requirements of national regulations, and supports the continuous improvement of the working environment. All employees are responsible for reporting potential unsafe factors in the workplace.

9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment *(continued)*

Summary of the Labor Code of Livzon *(continued)*

8

The approval and calculation of employees' remuneration and related benefits shall follow the principle of fairness. Employees' remuneration shall not be lower than the minimum wage standard stipulated in national and local regulations.

9

Employees who work overtime should be able to take working days off or be offered overtime pay in accordance with national laws and the Company's regulations.

10

The Group is against forced labor. No unit shall force employees to labor by means of violence, threats or illegal restrictions on personal freedom.

11

The Group strictly prohibits any form of harassment in the workplace, including sexual harassment and other non-sexual harassments against the will of others by means of oral language, written texts, images, physical behavior, etc. Subjecting employees to unreasonable interference with their work performance or creating a working environment that is intimidating, hostile, humiliating, or otherwise unpleasant through conduct that has sexual connotations is also considered sexual harassment. We encourage employees who are victims of harassment to immediately report the situation to their supervisors or the human resource department for the Company to investigate. We will investigate such reports confidentially as promptly as possible. Once the investigation is sufficient to substantiate relevant allegations, we will take appropriate corrective actions.

12

The Group is against corruption and bribery. All employees and units of the Group must abide by the Anti-Corruption and Anti-Commercial Bribery Regulations of the Company, and all clients, suppliers, service providers and contractors who have business relationship with the Group are within the scope of these regulations.

13

The Group endeavors to create an inclusive working environment and respects the diversity and differences of our employees. We incorporate the principle of diversity into the recruitment and employment policies of each unit of the Group.

9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment *(continued)*

Summary of the Labor Code of Livzon *(continued)*

14

The Group incorporates the principles and concepts such as diversity, anti-discrimination, impartiality, and anti-harassment into employee training, and requires all employees of the Group to participate in the training to gain a deep understanding of the above principles and relevant regulations.

15

In case of sick leave or non-work-related injuries, all units shall adhere strictly to the national Regulations on Medical Treatment Periods for Enterprise Employees with Illnesses or Non-work-related Injuries (《企業職工患病或非因工負傷醫療期規定》). After employees have recovered from their illness or injury and returned to work, their positions shall be arranged based on their physical condition and practical requirements, without any form of discrimination.

16

The Group highly regards the development and advancement of employees' talents. In matters concerning employment, such as remuneration, benefits, training opportunities, promotion, demotion, assignment, transfer, development, tuition assistance, or retirement, we will base our decisions on employees' competencies, work performance, and work requirements, regardless of age, ethnicity, race, family status, ethnic background, skin color, gender, sexual orientation, religious belief, social origin, nationality, disability, pregnancy, or other factors. We strive to eradicate all forms of bias and discrimination.

17

Avoidance of conflicts of interest. Employees shall avoid actual or potential conflicts of interest while performing their job duties. They shall comply with relevant laws, regulations, and industry guidelines, and allow no relationships to interfere with their job duties and business judgments. They shall not undertake or participate in any activities that conflict with the interests of Livzon Group, nor shall they use their authority to obtain benefits, privileges, or interests for themselves or their relatives in their work and business. If a potential conflict of interest is identified, employees shall immediately report it to their supervisors or the human resource department.

9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment *(continued)*

Summary of the Labor Code of Livzon *(continued)*

18

The Group upholds the EHS (Environment, Health and Safety) values of "Put life first, prioritize safety, follow regulations and laws, protect the environment", and continuously promotes green and sustainable development. We actively fulfill our responsibilities for health, safety, and environmental protection, and continuously cultivate and enhance the awareness and skills of safety and environmental protection among employees and relevant personnel. Employees and relevant personnel shall have a clear understanding of and comply with our EHS policies and regulations, and implement measures to improve EHS performance, such as energy conservation and emission reduction, occupational health and safety, in their work to integrate continuous improvement of EHS performance into daily work and operations.

19

Information confidentiality. Employees and relevant personnel shall strictly protect confidential information and take appropriate protective actions to ensure the security of confidential information. They shall not use, exploit, or disclose confidential information in any way without our prior written consent or unless it is within the scope of legitimate performance of their job duties. Even within the Group, the circulation of confidential information shall be limited to "what is necessary for fulfilling one's duties". Such obligation of confidentiality does not terminate upon an employee's departure or the termination of cooperation with relevant personnel.

20

Anti-money laundering. The Group strictly prohibits money laundering and complies with all applicable anti-money laundering laws and regulations.

21

Insider trading. Insider information refers to information related to Livzon Group's operations and finances or information that has a significant impact on the market prices of the Company's securities and has not been officially disclosed through designated channels by regulatory agencies. We strictly prohibit insiders (those who have direct or indirect access to insider information before its public disclosure) from trading the Company's stocks and derivatives based on insider information, disclosing insider information to external parties, or advising others to trade based on insider information. Insiders shall take necessary measures to keep the number of people privy to insider information to a minimum.

9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment *(continued)*

Summary of the Labor Code of Livzon *(continued)*

22

Whistleblowing. The Group encourages employees and relevant personnel to report any violations of the Code or any suspected violations of laws and regulations. We accept both anonymous and real-name whistleblowing and strictly keep the whistleblower's information confidential. We are committed to protecting whistleblowers' legal rights and interests and strictly prohibit any retaliation against them. Any violations will be dealt with in accordance with relevant regulations so as to achieve the maximum protection for whistleblowers. For details on whistleblowing channels and procedures, please refer to the Company's Administrative Measures for Whistleblowing and Complaint.

23

Fair competition. The Group advocates for fair competition and complies with all applicable laws and regulations on fair competition and anti-monopoly. We strictly prohibit any conduct that hinders or restricts fair competition, including entering into illegal agreements with competitors to eliminate or reduce competition.

24

The Group will give its best effort to identify acts that do not comply with the provisions of the Code, and commits to make every effort to prevent such acts from occurring. To this end, we encourage relevant personnel to report violations of the Code to their supervisors or the human resource department as promptly as possible so that the Company can investigate and tackle them to reduce the occurrence of such violations in the future.

25

The Group will investigate the violations of the Code as promptly as possible and take necessary measures to protect the legitimate rights and interests of relevant personnel who report and complain in good faith. Those who deliberately fabricate facts and make false charges or frame-ups under the pretext of reporting or complaining will be seriously dealt with in accordance with relevant regulations, and shall be transferred to judicial organs for handling if the action constitutes a crime.

26

Once the investigation is sufficient to prove that there is a violation of the Code, the Group will impose appropriate penalties and take appropriate corrective actions, including but not limited to negatively impacting the employee's performance appraisal results and terminating labor contracts or commercial contracts. Those whose actions are suspected of constituting a crime shall be transferred to judicial organs for handling.

9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment *(continued)*

The Group prohibits the recruitment and employment of minors under the age of sixteen. Applicants are required to provide identity documents during the recruitment process, for instance, to ensure that they meet the minimum working age requirements stipulated by law. At the same time, we strictly forbid forced labor by any enterprise of the Group, which shall not force employees to labor by means of violence, threats or illegal restrictions on personal safety. In order to ensure that every step of the employment process is in compliance with laws and regulations, we encourage relevant personnel to report violations of regulations to their supervisors or the human resource department in a timely manner for investigation and handling.

During the Reporting Period, Livzon did not use child labor nor forced labor.

External recognition: Human resource ("HR") related honors and issuing authorities over the past three years

Name of Award	Issuing Authority
China Preferred Employer of the Year 2023	Center for Social Investigation and Research, Peking University & Zhaopin.com
First Harmonious Labor Relations Enterprises in Jinwan District, Zhuhai in 2023	Human Resources and Social Security Bureau of Jinwan District, Zhuhai; Federation of Industry and Commerce of Jinwan District, Zhuhai; Federation of Trade Unions of Jinwan District, Zhuhai
The 5th Cloud Atlas Award for 2023 — Digital Enterprise Learning and Development Talent — Excellence Award	Jiangsu Yunxuetang Network Technology Co., Ltd., Institute of Organization and Talent Development, CEIBS Business Review
2023 Model Worker's Home of Fuzhou	Fuzhou Federation of Trade Unions
Harmonious Labor Relations Enterprise of Fuzhou	Human Resources and Social Security Bureau of Fuzhou, Fuzhou Federation of Enterprises and Entrepreneurs, Fuzhou Federation of Trade Unions, Fuzhou Federation of Industry and Commerce
2023 Worker Pioneer Award	Guangdong Provincial Federation of Trade Unions
2022 Top 10 Doctoral and Postdoctoral Innovation Demonstration Platforms in Zhuhai	Human Resources and Social Security Bureau of Zhuhai
2021 Honest Employment Enterprise in Fuzhou	Human Resources and Social Security Bureau of Fuzhou
China Best Employer Award 2021, China Most Intellectual Spirited Employers 2021	Harvard Business Review, Zhaopin.com, National School of Development, Peking University, Center for Social Investigation and Research, Peking University

9.1 EMPLOYMENT *(continued)*

9.1.2 Human rights protection

Our Labor Code covers the ten principles of the United Nations Global Compact and the ILO core conventions and contains the relevant requirements of respecting and protecting human rights. To monitor the implementation of the Group's human rights policy and ensure its effectiveness, we conduct human rights due diligence on an annual basis, which covers all of our own operations and activities related to our business. The content of the due diligence includes all human rights protection provisions in the Labor Code, such as prohibition of forced labor, prohibition of child labor, freedom of association, equal remuneration for equal work, anti-discrimination, and right to collective bargaining.

Human rights due diligence

We have established a systematic human rights due diligence process, which includes three components, as described in detail below:

- **Human rights risk assessment**

  The Group conducts a human rights risk assessment annually, covering all of our own operations and activities related to our business. By conducting risk assessment, we identify potential human rights risks and set appropriate risk prevention targets to proactively prevent human rights risks in our daily business activities.

- **Annual audit and reporting**

  In addition to the preset preventive mechanism, we annually review the implementation of the Company's human rights policy, including reviewing human rights issues that occur during the year, how they are handled, the results of handling, and the achievement against targets, and formulate mitigation and remediation actions to be taken in the future based on the results of our own human rights risk assessment. We have compiled the aforementioned work into a Human Rights Due Diligence Report, which is presented annually to the ESG Committee under the Board for reporting and approval, so as to determine the response actions for the following year.

- **Mitigation & remediation actions**

  Each enterprise of the Group is responsible for taking its own mitigation and remediation actions, setting targets and implementing them. The human resource department of each enterprise is responsible for continuous oversight and reports to the Company's human resource head office on a regular basis. When human rights issues arise, we will address them promptly and correct and punish any violations. Meanwhile, we will also implement improvement actions in advance in line with the response actions developed earlier in the year, to proactively prevent potential human rights risks. In addition, we are increasing our efforts to study, train, promote and implement policies related to human rights protection in our daily work.

9.1 EMPLOYMENT *(continued)*

9.1.2 Human rights protection *(continued)*

Human rights due diligence *(continued)*

During the Year, the results of the Group's human rights due diligence showed that the main human rights risks stemmed from the working environment and conflicts of interest, which mainly involved employees of the Group.

For each human rights risk identified, we developed and took effective mitigation and remediation actions, which were implemented by enterprises of the Group and monitored by the ESG Committee. As at the end of the Reporting Period, one enterprise of the Group had taken mitigation actions for human rights risks, such as redesigning smoking areas and conducting irregular inspections to improve the suboptimal working environment in areas like the pantry, as well as enhancing training for employees on avoidance of conflicts of interest. These actions had effectively prevented and mitigated human rights risks. In addition, all the employees and related persons of the Group can report potential human rights risks and discovered human rights issues to us through the grievance hotline available on the Company's official website.

The Company has formulated the Employee Grievance Management System, which establishes a formal and confidential human rights grievance mechanism, to minimize human rights risks. For details, please refer to Section 9.3.1 "Grievance escalation procedures" in this chapter.

9.1.3 Diversity and inclusion

The Group is committed to the principles of diversity, equality and inclusion and fully respects the diversity and differences of its employees. We incorporate the principle of diversity into the recruitment and hiring policies of each enterprise of the Group, and explicitly reject any discriminatory and prejudicial behavior. We create and maintain an inclusive and equal working environment, and strive to provide each employee with equal opportunities and a broad career development platform.

In accordance with the relevant provisions of the Company's Labor Code, we have set the direction for developing diversity and continuously improved the diversity management system. The ESG Committee under the Company's Board is responsible for reviewing the diversity policy, overseeing the Group's diversity performance, employee training on diversity policy, and target setting and achievement, and discussing future plans.

We have set a quantitative diversity target of "the share of female employees is no less than 49% by 2032".

Each year, the human resource head office of the Company regularly reviews the implementation of the Group's diversity work in the current year, counts and collects relevant quantitative data, and evaluates the progress of the implementation of diversity targets. It also prepares an annual diversity report and submits it for review to the ESG Committee on an annual basis to ensure the implementation of the diversity policy and proper progress of related work.

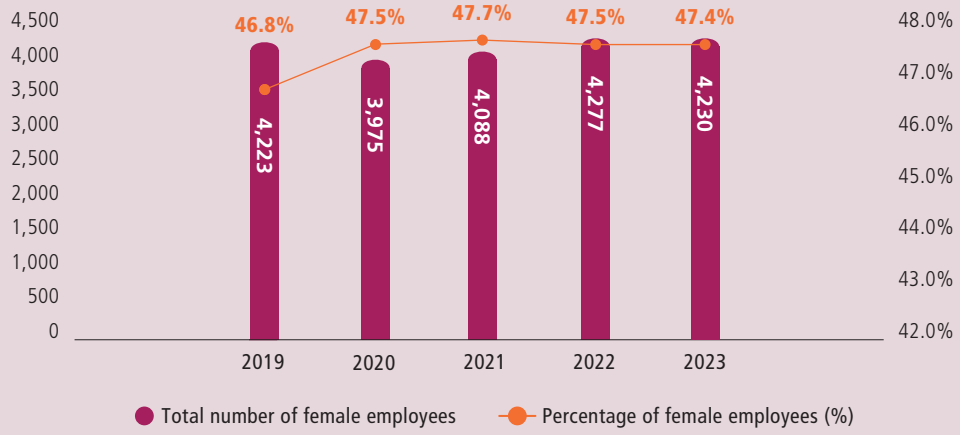
9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

As at the end of the Reporting Period, the age distribution of the Group's employees was as follows: 36% aged 30 and below, 58% aged 31-49 and 6% aged 50 and above. The gender ratio of the Group's employees remained stable, with female employees representing 47.35%. In particular, the number of women in management positions at manager level and higher level was 415, accounting for 35.7%. The executive management of the Company had a total of 7 members, of which 2 were women, representing 28.6%; the average percentage of women in the executive management of the Company over the past three years (2021-2023) was 26.19%.

Geographically, the Group had a total of 547 employees from 23 ethnic minorities and 10 foreign employees. The overall employee structure tended to diversify.

Livzon's Employee Distribution by Gender from 2019 to 2023



9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Mechanisms promoting diversity

To facilitate diversity and inclusion, we have established effective diversity-promoting mechanisms from recruitment process to day-to-day operations, adopted a variety of incentives, and implemented various diversity programs, as further described below:

- **Recruitment and employment – Ensuring diversity at source**

  We conduct our recruitment activities in the principle of fairness, impartiality and openness and prohibit all acts of discrimination and prejudice. We recruit and assign talent based on job qualifications and candidate's ability, and treat all candidates equally, without discriminating them based on gender, age, ethnicity, race, nationality, religious belief, sexual orientation, disability, pregnancy, skin color, family status, and social origin.

  During the Reporting Period, we strengthened the management of recruitment information. We required all business units to describe only the job qualifications and competency requirements when posting recruitment information on the Company's official website and major recruitment websites, avoiding any discriminatory words such as "Han people only", "Men only", "Men preferred", "Suitable for men" and "30-40 years preferred".

  Meanwhile, we optimized the content of the Company's website and recruitment information. We promoted Livzon's philosophy of diversity and inclusion and showcased women's benefits and other diversity-enhancing benefits and measures on the Company's website to attract diverse employees. At the same time, we also enriched the diversity-related benefits and welfare in the published recruitment information, such as maternity leave, breastfeeding leave, special physical examination for women and local special holidays (e.g. ethnic minority festivals such as Eid al-Fitr and Eid al-Adha, and overseas traditional festivals such as Christmas and Easter), to encourage diverse groups to apply.

  In the recruitment process, we have minimized the impact of unconscious bias by having effective processes and mechanisms in place. At the stages of preliminary screening of resumes by human resource department, submission of resumes by human resource department to employing department for selection, and decision making by employing department, we hide the candidate's gender, marital status, childbearing status, ethnicity, age, and other information that tends to cause unconscious bias in order to minimize barriers to diversity. Furthermore, we avoid imposing higher and more employment requirements on women than men throughout the recruitment phase to further ensure workforce diversity at source.

9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Mechanisms promoting diversity *(continued)*

- **Regular surveys – Understanding diversity satisfaction**

  We conduct regular surveys on diversity, anti-discrimination and anti-harassment management to collect employees' opinions and suggestions, and analyze the survey results to investigate their satisfaction with the Group on aspects such as diversity, inclusion, anti-discrimination and anti-harassment, and to analyze the direction for improving the Group's diversity work in the future. After the surveys, we will implement appropriate improvement actions based on the results. Going forward, the Company also plans to include diversity-related questions in the engagement survey and solicit relevant advice from employees.

  During the Year, the Group conducted a diversity and anti-discrimination survey. The survey results showed that more than 88% of the employees were satisfied with the Group's current diversity and anti-discrimination management measures. The two measures of "conducting satisfaction surveys on diversity management and taking targeted improvement actions for identified issues" and "equal career development and promotion opportunities", in particular, were considered the most important measures in diversity and anti-discrimination management. We will continue to improve our diversity management based on the survey results and employee input.

- **Management style – Management in a thinking of diversity**

  We believe that management's emphasis on diversity is very important. We ask management officers to lead in a way that creates a diverse and inclusive environment where every employee feels cared for and the differences of employees from different backgrounds are respected. To this end, we provide regular, targeted diversity trainings for all management officers each year to help leaders reflect on how they can lead more inclusively, and to provide guidance on practical actions which they can take in management, thereby truly implementing the philosophy of diversity.

  During the Year, the Group's trainings on diversity covered all (100%) of the Group's management officers. The trainings included aspects such as social multiculturalism, corporate culture of Livzon, and organizational culture, aiming to guide managers to understand and respect cultural differences, leverage the value of diversity, and manage a diverse workforce efficiently.

Case: Diversity training for the management

In December 2023, the Company conducted a special training on "Diversity of Managers" for the management, which covered all management officers of the Group. The training covered Livzon's corporate culture, the impact of diverse cultures, analysis of high-performance team characteristics, and types and analysis of corporate organizational culture. This training effectively helped managers deeply recognize the importance of diversity to the enterprise, better understand and respond to the challenges of diversity, and implement the philosophy of diversity in their work.

9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

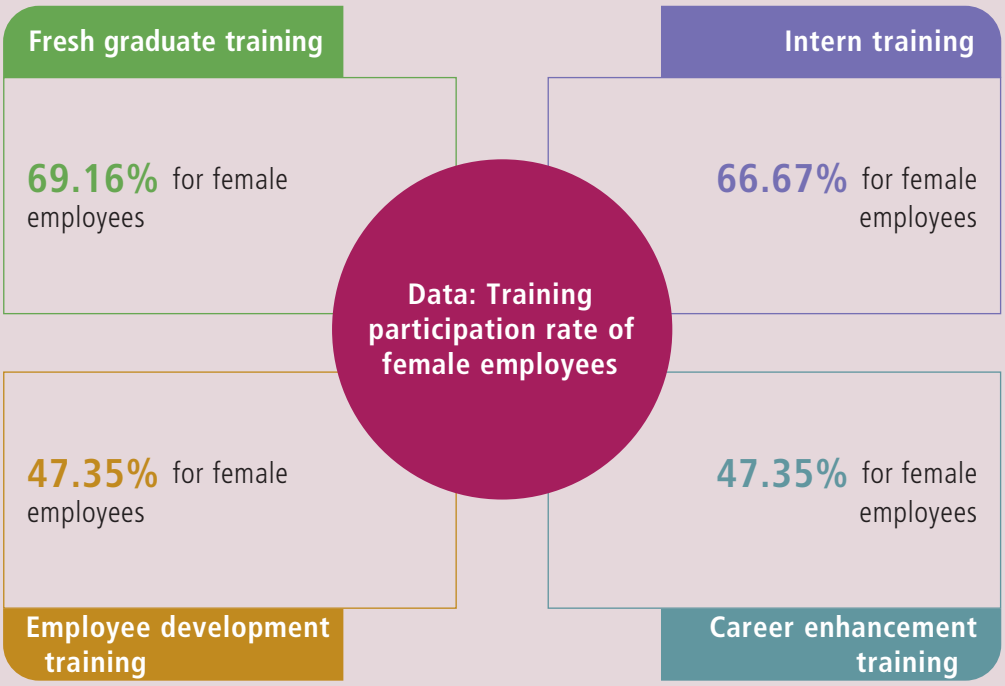
Mechanisms promoting diversity *(continued)*

- **Training and activities – Building a culture of diversity**

In order to develop the awareness and cultural philosophy of diversity, equality and inclusion in daily work, elevate the awareness of diversity in employees of the Group, ensure that employees of various types feel welcomed and appreciated in a diverse environment, and establish an inclusive corporate and workplace atmosphere, we regularly provide diversity training for all employees every year, covering diversity, inclusion, impartiality, anti-discrimination, etc.

During the Year, the Group's diversity training covered all (100%) employees of the Group. Employee satisfaction with the training reached 93.8%. The training covered the essence and mechanisms of diversity, the impact of diversity, and personal and corporate approaches to diversity development. They elaborately explained the origins of the philosophy of diversity and its manifestations in enterprises, aiding employees in thoroughly understanding the formation mechanisms of diversity, fitting better into diverse teams, and fully promoting and implementing the philosophy of diversity.

We are keenly aware that, with the rising women power, the importance of women in society has become increasingly prominent, with increasing women demonstrating their unique value and charm in the workplace. Livzon, as a listed company that champions diversity and gender equality, actively supports the career development of female employees and encourages their active participation in various training programs of the Group. We offer a special "female leadership development training program" for female employees to help them better plan their career development paths and set career development goals.



9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Mechanisms promoting diversity *(continued)*

- **Training and activities – Building a culture of diversity** *(continued)*

Case: Female leadership development training program

During the Year, we offered the "Her Power" female leadership development plan training through an online learning platform for all female employees of the Group, achieving a 100% participation and completion rate among all female employees of the Group.

The training covered breaking and transcending personal limits, the roles and challenges of managers, breakthrough thinking with a 360-degree problem-solving approach, stress management through BEST (Behavior, Emotion, Stress, Treatment) practices, and the ability development of systemic thinking for managers. It offered training from various dimensions including personal breakthrough, team leadership, personal balance and development, and ability of thinking.

This training provided female employees with a profound understanding of the importance and advantages of women in the workplace, equipped them with basic leadership skills. Thus, it aided female employees in better unleashing their potential at work, further enhancing their personal abilities and strengthening their leadership skills.

In addition, the Company requires all enterprises of the Group to regularly conduct activities that promote workforce diversity and care activities for female employees each year. Based on employees' backgrounds such as geography, ethnicity, and religion, we actively conduct multicultural exchange activities to demonstrate the Company's respect for different backgrounds and traditions and to promote mutual help among all ethnic groups.

Case: Diversity events

- "Beautiful China" dance performance

  In January 2023, to create a good atmosphere of unity and friendship among all ethnic groups, the dance association of Pharmaceutical Factory organized a "Beautiful China" folk dance performance and photography event. Set at the park of Pharmaceutical Factory, the program was a combination of beautiful dances of Tibetan, Dai, Miao, Mongolian and other ethnic groups, allowing employees to appreciate the folk customs of ethnic minorities while enjoying the dances, promoting cultural exchanges among ethnic groups, and creating a favorable atmosphere of diversity within Pharmaceutical Factory.

9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Mechanisms promoting diversity *(continued)*

- **Training and activities – Building a culture of diversity** *(continued)*

Case: Diversity events *(continued)*

- Hui ethnic delicacy event

  In June 2023, Ningxia Pharma hosted a Hui ethnic delicacy event to showcase the enterprise's respect for the backgrounds and traditions of ethnic minority groups. Furthermore, to reflect the distinctive local festive atmosphere and ethnic unity, and enhance the bond among employees, Ningxia Pharma also hosted an Eid al-Adha event. Employees collaborated in hands-on preparation of traditional Hui delicacies such as deep-fried pancakes, Sanzi, and Mahua, and watched short videos about Hui culture to have interactive exchanges on ethnic cultures.

- Regular leisure activities conducted for female employees

  To enrich the leisure activities of female employees, Livzon Diagnostics has made the offering of weekly yoga classes for female employees a routine, for which external instructors are engaged to provide special training. During the Year, a total of 40 sessions were conducted, with around 700 participant attendances. These yoga classes have helped improve the physical fitness of the employees and alleviate their financial burdens associated with such activities, thereby enhancing their well-being.

- Organizing minority culture training

  In October 2023, Livzon MAB organized a training on introduction to Chinese minority festivals for all employees. This training deepened employees' understanding and appreciation of minority cultures, promoting cultural heritage and development. It also facilitated understanding and communication among employees from different ethnic backgrounds, fostering diversity within the enterprise.

9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Mechanisms promoting diversity *(continued)*

- **Material benefits – Facilitating diversity**

  On top of organizing training and activities, we also provide employees with a variety of material benefits to improve the Group's performance in terms of diversity and inclusion, and to promote the achievement of diversity targets. We strictly observe the Special Regulations on Labor Protection of Female Employees and specify in the employment policy that female employees are entitled to special leaves such as paid marriage leave, maternity leave, and breastfeeding leave. Also, we have set up well-equipped mother-and-baby rooms to support female employees returning to work after giving birth, and provide paternity leave for male employees. We have added special items such as breast cancer screening and cervical cancer screening to the medical check-up of female employees over 35 years to better protect their health and give them full care.

  We also respect the customs and culture of our foreign employees and ethnic minority employees. In addition to the Company's holidays, we ensure that they enjoy their respective ethnic cultural festivals, such as Christmas, Eid al-Adha, Eid al-Fitr, etc.

9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Diversity of the Board

The Company highly recognizes the contribution of a diverse Board in its corporate development and considers the diversity of members of the Board as one of the key factors that maintain the Company's competitive strength and promote the Company's sustainable development. According to the requirements of the Board Diversity Policy, the Company takes into account diversity related factors such as gender, age, cultural and educational background, professional experiences, skills and knowledge, race and ethnicity when appointing Board members. On this basis, the Company shall make decisions based on objective conditions such as comprehensive values a candidate can deliver to the business and development of the Company, contributions a candidate can make to the Board while ensuring the diversity of the Board, and make sure that the Board includes at least one female member to achieve gender diversity in the Board.

In addition, the nomination committee under the Board of the Company is responsible for regularly monitoring and reviewing the Board diversity policy to ensure that it is working effectively.

The Company's Board has a balanced and diverse composition, composed of 11 members aged between 48 and 68 years, including one female director. The Board members have diverse professional backgrounds and extensive industry experience, including accounting professionals, domestic and international lawyers and individuals experienced in enterprise management. Their knowledge structure and areas of expertise are both professional and complementary to the Board, providing forward-looking, scientific and feasible opinions on the Group's regulatory governance and major policy decisions.

Ms. Cui Lijie, an independent non-executive director of the Company, has more than 13 years of experience in the operation and management of pharmaceutical enterprises and capital market operation and over 6 years of experience in risk management; Mr. Luo Huiyuan, an independent non-executive director of the Company, has more than 20 years of experience in legal practice and over 5 years of experience in corporate compliance governance. In addition, Mr. Bai Hua, an independent non-executive director of the Company, is a Chinese certified public accountant (non-practicing) with in-depth financial expertise and extensive research and practice experience in corporate governance, risk management and internal control; Mr. Tian Qiusheng, an independent non-executive director of the Company, is an economics professor with profound professional knowledge and theoretical foundation in economics, who boasts over 40 years of teaching and research experience in the field of economics.

9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Anti-discrimination and anti-harassment

Our Labor Code contains anti-discrimination and anti-harassment clauses that explicitly state zero tolerance for discrimination, prohibit all acts of discrimination and prejudice, and strictly prohibit any form of harassment (including sexual harassment and non-sexual harassment) in the workplace.

The Company formulated the Employee Grievance Management System (the "Grievance System") and established a defined grievance escalation process and corrective or disciplinary actions for human rights violations (including discrimination and harassment). Employees can report any acts of discrimination and harassment to the acceptance center for grievance according to the grievance channels and grievance procedures in the Grievance System.

We do our best to identify acts of discrimination and harassment and are committed to making every effort to prevent acts of discrimination and harassment from occurring. To this end, we encourage relevant personnel to report acts of discrimination and harassment to their supervisors or the human resource department as promptly as possible so that we can investigate and tackle them to reduce the occurrence of such acts in the future.

Should investigations verify acts of discrimination and harassment, we will engage with the involved employees and take active actions (by, i.e., providing counseling and education) to correct their violations. Meanwhile, depending on the severity of the misconduct, we will impose disciplinary actions in accordance with regulations, such as warnings, demerits, and termination of labor contracts. Suspected offenders, in particular, will be transferred to the relevant judicial organs for serious treatment. For more details on the grievance escalation procedures, please refer to Section 9.3.1 "Grievance escalation procedures" of this chapter. During the Year, we did not identify nor were aware of any cases that breached the Company's codes of conduct on anti-discrimination and anti-harassment.

9.1 EMPLOYMENT *(continued)*

9.1.3 Diversity and inclusion *(continued)*

Anti-discrimination and anti-harassment *(continued)*

We conduct anti-discrimination and anti-harassment training for all employees at least once a year, and use questionnaires to understand employee satisfaction and opinions, in order to develop and take improvement actions and continuously strive to create a fair, respectful, and inclusive working place for employees.

Case: Provision of gender equality, anti-discrimination and anti-harassment training for all employees

In September 2023, the Company engaged all employees of the Group in training on anti-discrimination, anti-harassment, and gender equality through a combination of online and offline methods. The training covered topics such as anti-discrimination awareness, anti-harassment awareness, gender equality, and relevant laws and regulations. They not only elaborated on the definitions and types of discrimination and harassment but also listed manifestations of discriminatory and harassing behaviors in the workplace. They aimed to regulate individual workplace behavior and call on employees to oppose discrimination and harassment, embrace harmony in diversity, and treat each other with equality in both work and personal life.

With a satisfaction rate of 96%, employees offered many suggestions for these training. We will take improvement actions based on these suggestions, trying best to create an equal and inclusive working environment for employees.

9.1 EMPLOYMENT *(continued)*

9.1.4 Talent retention

Livzon actively implements talent retention programs and tries its best to reduce employee turnover from various aspects such as remuneration and benefits, training and development, and employee communication. During the Year, the employee turnover of the Group was 13.45% (2022: 10.82%), showing a slight increase from the previous year. Most of departing employees had served for less than three years, a period during which employees are adapting to the Company's culture and management style, thus resulting in a slightly higher turnover. The primary reason for departure was changes in personal development plans. In order to more accurately reflect the actual situation of human resource management, the calculation method of employee turnover adopted the method used for the Group's human resource management.

Talent retention measures

Establish an employment mechanism in which competition is fair, the competent are elevated and the mediocre are demoted, and create a positive working atmosphere;	Establish an early warning mechanism for employee turnover;	Provide employees with competitive remuneration and benefits, and give incentive bonuses in line with job characteristics;
Strengthen onboarding training for new employees to help them better understand their duties and fit into the workplace;	Identify high potential and key talents, and provide appropriate support in processes such as promotion;	Analyze employees' needs and try to meet them, and assist employees in solving difficult problems;

9.1 EMPLOYMENT *(continued)*

9.1.4 Talent retention *(continued)*

Talent retention measures *(continued)*

Provide employees with diverse training and development opportunities to help enhance their skills and knowledge, develop career planning for employees, and boost employees' confidence and career development prospects;	Conduct regular employee exchange conferences and discussion meetings, hold interviews with departing employees, and, by listening to the suggestions of current employees, make analysis and summary of the reasons why employees resign;	Hold various team-building activities for employees, socialize with external partners, and create employee-initiated associations to enrich their leisure time and enable happy life and happy work for them;
Actively improve the working environment, address their concerns about the working environment, and create an activity center that employees enjoy, providing a foundation for happy work and happy life;	Offer employees challenging work; give priority to internal employees for internal vacancies to facilitate their continuous ability enhancement;	Establish effective, multi-channel approach to communication, allowing employees to voice concerns via channels such as meetings, calls, emails, and online systems, and resolving their concerns in a timely manner;
Ensure workplace safety and hygiene, and provide comfortable and efficient working facilities and equipment;	Offer flexible working hours to help employees better balance work and life;	Establish open and transparent communication channels for employees to express opinions and give feedback;
Give employees timely positive feedback and recognition to boost their motivation and satisfaction at work;	Offer mental health support and resources (i.e., counseling services or stress management training), to foster a supportive and inclusive atmosphere where employees feel respected and cared for.	

In the last three years, there have been no major layoffs in the Group, nor have there been major mergers or acquisitions affecting a large proportion of its staff.

9.2 TALENT MANAGEMENT

Livzon has made continuous efforts to strengthen talent development planning and optimize the talent management model, and has improved the efficiency of human resource management by utilizing scientific and technological means such as human resources information-based systems. For different talent groups, we have developed targeted training plans, management strategies and long-term incentive programs and are committed to building a professional and innovative staff team as the Group's core competitiveness.

9.2.1 Talent introduction

The Group attaches great importance to developing a talent pipeline, establishes a defined and formal talent pipeline development strategy, and conducts scientific hiring needs forecasting. By continuously strengthening university-enterprise cooperation, further developing new pools of talent, and enhancing reserve of talent, the Group creates a free and equal development space to maintain the Group's core competitiveness.

Talent attraction

Based on the factors such as its own strategic positioning, business development, and the current state of its talent team, Livzon scientifically forecasts talent needs, diversifies talent selection methods, continues to increase its efforts in recruiting talents, and employs multiple channels to recruit talents from various fields, thereby strategically securing the Group's future talent needs, gaining long-term competitive advantages, and shaping a favorable working atmosphere within enterprises where individuals' potential is tapped to the full and their talents are put to best use. At the same time, we have continuously developed new pools of international talents, and recruited international talents from countries such as the United States, the United Kingdom, Indonesia, India, Spain, Pakistan, the Philippines and Malaysia, so as to fully match the arrangement of our overseas business.

In addition, to promote the movement of people and encourage the diversified career development of employees, employees are allowed to apply internally based on the recruitment information published internally by the Company. Those who meet the job requirements and pass the interview can go through the procedures for job transfer in accordance with the recruitment process. In daily work management, employees and departments can also apply for internal job transfer according to actual work needs.

9.2 TALENT MANAGEMENT *(continued)*

9.2.1 Talent introduction *(continued)*

University-enterprise cooperation

To enable complementary advantages and mutual benefits in talent training, Livzon has established cooperation in terms of talent training, skills training, employment referral, etc., with domestic first-class research institutes and universities, such as the Chinese Academy of Sciences, Jinan University, Sun Yat-sen University, Fudan University, Shanghai Jiao Tong University, China Medical University, Lanzhou University, Sichuan University, and Southern Medical University, and has become the social practice base of many professional colleges and universities, smoothing the channel for talent transfer from schools to the enterprise.

The Group has actively established several social traineeship and practice bases, which receive student interns from partner universities, and has been active in conducting campus recruitment. During the Year, the Company initiated partnerships with universities such as Jilin University, Huazhong Agricultural University, China Agricultural University, and East China University of Science and Technology.

At the same time, the Company has set up a post-doctoral research station to constantly introduce and cultivate post-doctoral researchers, establishing a bridge between high-tech talents and the Company, and further deepening the bonded cooperation relationship between "enterprises, universities and research institutes".

We have established long-term partnerships with educational institutions, such as Peking University, Macau University of Science and Technology and Shenyang Pharmaceutical University to cultivate employees' professional knowledge and practical ability through joint training programs. Through studying the specialized courses, they continuously refined their medical knowledge system and improved their professional skills.

Moreover, the Group has actively collaborated with government departments and schools to build learning platforms and resources, as part of concerted efforts to cultivate professional talents for the regions where our subsidiaries operate.

9.2 TALENT MANAGEMENT *(continued)*

9.2.1 Talent introduction *(continued)*

University-enterprise cooperation *(continued)*

Part of the Group's certified bases

- 2023 Graduate Joint Training Practice Base (Jilin University, Zhuhai College of Science and Technology, Livzon Pharmaceutical Group Inc.)
- 2023 Enterprise-University-Research Institute Traineeship Base (Zhuhai College of Science and Technology)
- 2023 Postdoctoral Innovation Practice Base (Department of Human Resources and Social Security of Sichuan Province)
- 2023 Chengdu Academician (Expert) Innovation Workstation (Chengdu Association for Science and Technology, Organization Department of the CPC Chengdu Municipal Committee, Chengdu Municipal Bureau of Economy and Information Technology, Chengdu Municipal Education Bureau, etc.)

Case: Joint training programs conducted with educational institutions

Pharmaceutical Factory

- In collaboration with a management consulting firm in Beijing and another in Guangzhou, Pharmaceutical Factory offered management training for the Qing Lan Class[1] and team leaders. The training sessions covered topics such as team building and motivation, business document writing and reporting, and empowerment management. The joint training program recorded a total of 211 participant attendances and a total learning duration of 494 hours.
- In collaboration with a technical vocational training school in Zhuhai, Pharmaceutical Factory delivered certification training for pressure vessel operators. The training mainly covered basic operations of pressure vessels, emergency response, and identification of related components. Ultimately, a total of 51 employees from Pharmaceutical Factory obtained certification or completed certificate review, with a total learning duration of 792 hours.

[1] The Qing Lan Class is a potential talent development project under the Livzon Business School – Pharmaceutical Factory Branch. It involves selecting a group of university students with potential from various departments, pairing them with mentors for coursework and project training, thereby achieving the objective of rapid talent development.

9.2 TALENT MANAGEMENT *(continued)*

9.2.1 Talent introduction *(continued)*

University-enterprise cooperation *(continued)*

Case: Joint training programs conducted with educational institutions *(continued)*

Fuzhou Fuxing

- Fuzhou Fuxing delivered first-aid skills training jointly with the Red Cross Society of Fuqing, consisting of 16 hours online and 8 hours offline. Forty employees participated, all (100%) of whom passed and obtained their certification.

- Fuzhou Fuxing held a "Great Nation Craftsmen Training Camp" in collaboration with the Organization Department of Fuqing. The training sessions covered topics such as industry prospects, knowledge related to chemical industry products, and managerial skills. The offline training lasted for two months and were attended by 7 employees.

- Fuzhou Fuxing organized a joint training program for labor supervisors with the Trade Union of Fuqing. The online training lasted for 40 hours and were attended by 8 employees. The training primarily focused on the importance of labor supervision by trade unions and laws related to labor rights. The training aimed to improve the knowledge of labor protection-related laws among enterprise trade union practitioners and strengthen the building of enterprise trade union functions, thereby protecting the rights of employees.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development

Livzon believes that adequate training resources are necessary to ensure the development of employees. The Group uses the Livzon Business School as its core platform to build an all-round and diversified employee training system, empowers employees on demand through a learning model that combines online and offline forms and full integration of internal and external resources, and continuously stimulates organizational vitality. In strict accordance with the Administrative Regulations on Employee Learning and Growth, we standardize training management, constantly innovate training content, models and methods, and complete internal and external training supporting resources in order to ensure the full-process and routine operation of training programs, systematize and institutionalize employee training, and keep building a workforce that matches business development needs.

During the Year, we provided employees with all-round and multi-dimensional training, including general training (e.g. business ethics, responsible marketing, data security and privacy protection, diversity, management, leadership, etc.), job-specific professional skills training (e.g. production, R&D, EHS, etc.), and training for employees at multiple levels (e.g. fresh graduates, new hires, junior management, middle management, senior management, etc.). The training programs were rich and diverse. During the Reporting Period, each employee of the Group had an average of 74.32 training hours.

At the same time, to ensure the effectiveness of training, we have specialized training personnel to track the study progress of the trainees, provide feedback and follow up on the effectiveness of training by means of questionnaire collection and offline interviews with the trainees, and continuously improve course content based on feedback from surveys.

New employee cultivation

The Group has well-designed traineeship programs for new recruits and fresh graduates. We implement a "180-day tracking program" for new recruits. The program is built on 70-20-10 (721) rule, namely, 70% of learning comes from on-the-job practice, 20% from communication, sharing and interaction with others, and 10% from in-class training. Through intensive teaching training, apprenticeship program, practical exercises, summary sharing, outdoor development and other training methods, 8-levels of training courses on corporate culture, human resources policy, vocational skills, etc. are conducted for new employees. These training programs can help new recruits equip with a thorough knowledge of the Company's core values, adapt to job requirements and master job skills as quickly as possible, integrate into the team and build mutual trust.

Upon expiry of the appraisal period for new employees, we conduct one-on-one and face-to-face communication and guidance on the training situation, job responsibilities and performance appraisal of new employees during the appraisal period, so as to have a timely knowledge of the feedback from new employees, and provide top-performing new employees with incentives such as early regularization, promotion and salary adjustment.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

New employee cultivation *(continued)*

Case: Graduate traineeship programs

- Headquarters

  During the Year, the Company launched a training program specifically designed for the class of 2023 graduates with the overarching goal of "accelerating the identification with corporate culture and facilitating the transition to professional life". Centered around aspects such as cultural systems, role transitions, competence enhancement, product business, team cohesion, and career development, the program combined both online and offline methods and comprised offline intensive training, outdoor development, and online fragmented learning sessions.

  Covering all business modules of the Company's functional departments, this training program aided new employees in understanding the Company's entire value chain and identifying the Company's development history and operation strategies. Moreover, this training program included content such as teamwork, career competence, logical thinking, and self-management.

  Through this training program, we helped new employees quickly fit into the workplace environment, have a better self-awareness, and rapidly transition from school to workplace. The program also featured an appraisal, consisting of a final test and talent assessments, which comprehensively evaluated the trainees across several dimensions such as organizational behavior, social styles, corporate culture, regulations, and product knowledge. Finally, we selected 10 outstanding trainees for recognition and rewarding.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

New employee cultivation *(continued)*

Case: Graduate traineeship programs *(continued)*

- Fuzhou Fuxing

  During the Year, Fuzhou Fuxing conducted a three-day training for 49 new employees who are class of 2023 undergraduates and excellent college diploma students who started their traineeships in 2022. This training allowed new employees and interns to quickly grasp knowledge related to the corporate culture, production, safety, and quality, which facilitated their transition into their roles. Moreover, through team-building exercises and debates, the training full demonstrated the abilities of new employees, helping departments understand new employees and plan career paths suitable for them.

Case: Apprenticeship program

In 2023, the sales center of API business department of the Company conducted an apprenticeship program for new employees. The mentors were responsible for coaching and supervising in the whole process and providing one-on-one mentoring. The trainees were required to write daily work logs to report their learning progress to their mentors, who performed monthly and quarterly evaluations and communicated personally with the trainees to make suggestions to them.

This apprenticeship program allowed new employees to systematically learn corporate culture and job knowledge, which helped them better perform their jobs and integrate into the Company's environment. For the new employees who have completed one year of service, the sales center of API business department continued to update its training plans, and offered opportunities for business trips and participation in exhibitions and client visits under the guidance of senior employees, which aimed at accumulating work experience for new employees, developing their potential from various dimensions and deeper levels, and inspiring their learning and progress.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Job-specific development training

The Group formulates annual training plans for each department based on the Company's development objectives for the Year and the previous year's performance appraisal results. The production, quality, equipment, supply chain, EHS, sales, R&D, HR, finance and other business departments provide job-specific development training programs and business knowledge training for employees based on the annual training plans, business development requirement, job competency requirements, and competency model, so as to assist employees in mastering the operational skills of each business line, thus achieving organic unity between the growth of employees and the needs of the enterprise. Examples are as follows:

- Special operation positions: conducting certification training for special operation personnel to ensure that they are licensed to work;
- R&D positions: conducting competency enhancement courses on project management, experimental skills, literature review, etc.;
- Production positions: conducting hands-on training on knowledge such as work safety, machine operation, environmental awareness, etc.;
- Sales positions: conducting competency enhancement courses on product knowledge, responsible marketing, communication skills, etc.;
- Quality positions: conducting education and practical training on knowledge of quality, quality awareness, regulations and policies, operational skills, etc.

In addition, each department has a specific training fund in its annual budget so that employees can attend external professional skills training according to business needs.

Case: Development training for R&D positions

In order to cultivate the project management ability of R&D personnel, the Company's research institute implemented the "Project Leader Training Plan", which encouraged each employee in R&D positions to continuously overcome technical problems in R&D projects, accumulate experience of a complete project cycle, and grow into a scientist.

The plan provided training for R&D personnel with content focused on "advancing projects forward" through training methods such as project-specific discussions, course training, external technical training, and external expert guidance. The training covered major project technologies and R&D ideas, drug R&D theories and principles, way of thinking in scientific research, project plan formulation, etc. There were 77 training participants, including research project leaders, persons in charge of project analysis and technology, and project team members.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Job-specific development training *(continued)*

Case: Development training for production positions

In 2023, Ningxia Pharma conducted training on the Operating Procedures for Safety, the Emergency Response for Teams, and the Hazard Identification, which was aimed to implement knowledge and skills of work safety among all employees in production workshops, enhance the awareness of operating procedures for safety, emergency responses, and hazard identification, and improve the safety competence of employees in production workshops. The training participants were all employees in production workshops, with a 100% participation rate. Through the training, the safety competence of employees in production positions has improved, which has laid a solid foundation for the enterprise's work safety.

Case: Development training for sales positions

From September to November 2023, the sales center of API business department of the Company engaged sales staff in online training on the course "Positioning to solve competition" by a strategic positioning expert. Through practical case studies in the training, sales staff were inspired to think about establishing the Livzon brand, leading to improved sales strategies and contributing to the growth in API sales.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Promotion and transfer mechanism

We attach importance to the talent of each employee, fully recognize the value that each employee creates for the Company in different positions, and create free development space and equal opportunities for promotion and transfer for employees. In case of internal vacancies, we give priority to internal employees for their promotion or transfer.

The Company has established a multi-faceted development channel for administrative sequence, technical sequence, R&D sequence, marketing sequence, and production/operation sequence, fully respecting and supporting employees to choose career development planning paths that suit them. We expand employees' career paths and development space, and provide a level-by-level promotion channel for administrative, technical, R&D, marketing and production/operation staff according to their performance contribution and working ability by means of "ladder promotion".

At the same time, the Company has formulated the Administrative Measures for Technical Sequence Positions to provide a clear promotion path of technical positions for employees engaged in professional and technical work, while technical staff and R&D staff can also transfer from their specialized sequence positions to administrative sequence positions in accordance with the relevant provisions of the Administrative Measures for Job Grades of the Company.

The Company regularly reviews the building and reserve of talent pipeline every month, collates and publicizes internal hire opportunities in a timely manner, and encourages employees to achieve internal promotion through open competition.

During the Year, the human resource head office of the Company conducted interviews with over a thousand employees in the headquarters' industrial park to search for potential talents and identify successors for key positions based on a combination of work performance and actual work results. Eligible employees were promoted to be offered additional work challenges and opportunities, thereby building a backup talent pipeline for the sustainable development of the Company.

Succession planning and leadership development

Livzon continues to conduct talent succession planning, improve the capability model of key positions, and identify high-potential employees and successors. In order to help successors improve their capabilities to meet their potential job requirements, we implement talent development programs at multiple levels, such as new employee training, fresh graduate training, intern training, junior management training, middle and senior management leadership training, etc.

We keep cultivating successor candidates to consolidate the development of the talent pipeline. During the Year, the Company completed the establishment of a talent development system, including five key tasks: "competency model building", "job qualification review", "talent review", "individual plan development and confirmation", and "successor development". This talent development system helps the Group define future talent needs and provides guidance for talent succession planning. For example, "successor development" aids in identifying potential successors and devises personalized development plans for subsequent development efforts, which include training courses, learning resources, practice opportunities, and mentorship systems.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Succession planning and leadership development *(continued)*

During the Year, the Group implemented the talent succession planning by promoting top-performing employees in terms of comprehensive ability and professional skills and increasing their salaries. Meanwhile, we regularly evaluated the performance and progress of the successors and gave feedback and suggestions to aid their continuous improvement and growth. In addition, we also arranged practice opportunities for successors, such as project participation and cross-departmental collaboration, to help them accumulate experience and enhance their capabilities.

We conduct various forms of managerial and leadership development training to help the Group's employees at multiple levels acquire a wealth of management knowledge and enhance their leadership skills. In this way, we help employees achieve their development goals and improve the Group's corporate management level at the same time.

Our managerial and leadership development training cover employees at multiple levels, including junior staff, executives, junior management, middle management and senior management.

- **Onboarding training**

  The level focus on the integration of newcomers into the work quickly and equip them with a clear understanding of the future development path and relevant knowledge reserve requirements. The programs include the training camps for management trainees, fresh graduate training, team development programs, etc.

- **Executive training**

  The level focuses on the development of job-specific execution capability and the ability to guide subordinates. The programs include a series of training covering production, R&D, supply chain, enterprise talent development, and marketing.

- **Junior management training**

  The level focuses on the development of execution capability and leadership skills of employees to help employees acquire leadership-related knowledge and basic skills. Programs include "Understanding and Positioning of Managerial Roles" training, the Qing Lan Class program, overseas training programs, etc.

- **Middle and senior management training**

  The level focuses on the development of leadership, strategic management capability and comprehensive organizational capability of the middle and senior management. The programs include MBA class, managing up and managing down, strategic thinking, and other training courses.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Succession planning and leadership development *(continued)*

During the Year, the total duration of managerial and leadership development training of the Group amounted to approximately 72,324.4 hours, involving 3,104 employees. Specifically, female employees constituted 65% of the participants in leadership development training. In addition, among the employees who participated in the managerial and leadership development training provided by the Group, a total of 443 employees received promotions (representing 5% of the total workforce), of which 14.27% successfully succeeded in management positions.

Case: Middle and senior management training

During the Year, to discover and cultivate a group of talented young managers with potential to support the strategic and business development of the enterprise, we provided a one-year Young Leaders Program for 39 employees at middle and senior management level. Mandatory courses included 10 sessions on corporate strategy, production and quality management, financial management, talent pipeline development, etc., while optional courses included 103 sessions on strategic planning, project management, employee management, etc.

To effectively measure the learning outcomes of employees, we provided case discussions, after-class assignments, and examination and evaluation during the training, achieving a 100% participation rate in case discussions and assignment completion, and a 95% pass rate in the assessment exam. The Young Leaders Program improved the leadership awareness of the trainees and effectively developed their abilities to efficiently complete tasks, delve into research, and innovate boldly, laying a solid foundation for Livzon to reserve versatile and compound talents. Overall satisfaction with the training exceeded 95%.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Succession planning and leadership development *(continued)*

Case: Junior management training

- In November 2023, the Company organized a training themed "Understanding and Positioning of Managerial Roles". The training covered topics such as understanding of managerial roles, organizational positioning for managers, managerial pitfalls and transformations, and enhancement of managerial skills. It effectively helped junior managers gain a comprehensive understanding of the essence of management, enhance their personal management capabilities and team performance levels, and better adapt to the Company's developmental needs. The employee satisfaction rate for this training was 96.6%.

- In December 2023, Fuzhou Fuxing collaborated with a management consulting firm in Shanghai on a joint training themed "Effective Communication Drives Execution" for its management. The training spanned 18 hours in 3 days, with 50 participants. It covered topics such as enhancing communication skills within teams and across departments and performance appraisal interview techniques. This training further improved the communication and management skills of the management officers and addressed specific pain points they faced in team and cross-departmental communications.

Case: Executive training

In September 2023, Pharmaceutical Factory conducted a training themed "On-site 5S and Efficient Material Management for Teams"[2] for its executive employees. The training covered topics such as efficient on-site management for teams, on-site 5S management for teams, and on-site material management for teams. This training helped executive employees gain a deeper understanding of 5S and team management, enhanced their management skills in a more systematic way, and aided in laying a foundation for the enterprise's operations. The employee satisfaction rate for this training was 90%.

[2] 5S stands for Seiri, Seiton, Seiso, Seiketsu, and Shitsuke, which refers to the effective management of personnel, machinery, items, materials, methods, and other production elements at production sites.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Succession planning and leadership development *(continued)*

Case: Employee development programs

- Fuzhou Fuxing

  (1) Name & Description of the program: "Quality Award" excellent performance system introduction program

  (2) Objective / Business benefits of the program: The objective is to win a provincial quality award. Business benefits: introducing an excellent performance system to the enterprise, providing government-endorsed quality assurance for future domestic market expansion of the enterprise's products, and enhancing the brand value of the products domestically

  (3) Quantitative impact of business benefits: The score for organizational management maturity is expected to ascend from 300 to 500 points (out of a total of 1,000 points); the employment growth rate is expected to increase by 2.5%

  (4) Percentage of employees participating in the program: 100%

- Sales center of API business department

  (1) Name & Description of the program: "Positioning to solve competition" training program

  (2) Objective / Business benefits of the program: to learn how to win customers without being surpassed by competitors; enhancing and improving sales skills of employees, and helping sales staff achieve sales targets

  (3) Quantitative impact of business benefits: Amid sluggish market conditions and widespread price reductions of products in the API industry, the Group's API revenue for the Year increased by nearly 4%

  (4) Percentage of employees participating in the program: 74%

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Support for degree programs and certifications

Livzon supports all permanent employees, part-time employees and contractors of the Group to obtain job-related degrees and certifications in their spare time, and assists employees in applying for relevant specific certifications or nationally accredited professional titles.

The Company has formulated the Administrative Regulations on Employee Learning and Growth to support all employees of the Group to apply for learning programs that meet their own needs for improvement. We actively sought out colleges and universities to establish school-enterprise cooperation and jointly run classes, encouraged and supported employees to improve their degrees and certifications through self-taught examinations, correspondence courses, full-time or part-time study, distance education, on-the-job postgraduate programs, professional title evaluation, obtaining of professional certifications, etc., and considered the degrees and certifications obtained by employees as one of the factors for promotion and salary adjustment, so as to motivate employees to participate in training and education.

We supported the following programs for improving degrees and certifications:

Degree improvement program	Upgrade from high school to junior college, from junior college to undergraduate, from undergraduate to master
Professional title improvement program	Professional titles of engineering technology (including pharmaceutical, chemical, engineering, electromechanical, etc.); professional titles of economics, accounting/ statistics/auditing; professional titles of experimental techniques
Vocational certification improvement program	Special operation certificate, drug preparation worker, drug inspector, animal quarantine inspector, management technology (e.g.: human resource management series, corporate training series, marketing series, accounting/auditing series, etc.)
Training materials for each business module	Employees are provided with learning materials in areas such as innovative drug R&D, drug registration, EHS, finance, strategy, legal compliance, risk management, supply chain, clinical, HR, manufacturing, administrative management, pharmacovigilance, and quality management

For the professional and technical titles, vocational certifications and skills and other certificates or re-education degrees obtained by employees of their own accord, we will give corresponding bonus points or appropriate economic subsidies during the internal technical sequence evaluation. We will also reimburse the costs for obtaining certificates of special operations. In addition, all employees of the Group are entitled to external learning.

At the same time, according to the local government's talent policy, the Company actively helps employees apply for local qualifications and certifications for high-level talents, craftsmen, young top-notch talents, talents for industrial innovation and development, innovation teams, etc.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Support for degree programs and certifications *(continued)*

Data

The Company provides all employees of the Group and their families with a supporting platform for upgrading degrees at **18** institutions and an exclusive policy for obtaining certificates in **8** skill programs.

During the Year, a total of **41** employees of the Group upgraded their degrees, and **1,350** employees of the Group obtained skills/professional title certificates.

Case: Support for employees to upgrade degrees and professional certifications

- During the Year, the Company organized participation from enterprises within the headquarters' industrial park in district, city, and Guangdong-Hong Kong-Macao Greater Bay Area corporate trainers competitions, with 2 employees securing top three positions; the Company organized training and examinations for labor coordinators in Zhuhai, with 4 employees obtaining certificates; the Company organized participation in the selection for Zhuhai craftsmen, national engineer awards (team, individual, and outstanding skilled talent categories), with 15 employees successfully being selected.

- In recent years, the trade union of Xinbeijiang Pharma has fully played the role of a "university", helping enhance the overall quality of the workforce. During the Year, leveraging the "Yue Gong Hui (粵工惠)" platform, after employee applications, preliminary system review, and review by trade unions at various levels, a total of 5 employees from Xinbeijiang Pharma successfully secured the subsidy of the "Make Education Dreams Come True Program" for upgrading degrees of frontline workers. This program provided support and a strong motivational force for frontline workers to realize their education dreams and upgrade their degrees, skills, and cultural literacy.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Support for degree programs and certifications *(continued)*

Case: Support for employees to participate in vocational skill certification and improve certification

- A total of 173 employees from Livzon Hecheng participated in the vocational skill level certification conducted independently by the company, with 123 employees obtaining nationally recognized vocational technical skill level certificates (including: 78 advanced workers at level III, 18 intermediate workers at level IV, and 27 junior workers at level V).
- Pharmaceutical Factory organized pre-registration for adult higher education, providing channels for upgrading employees' degrees, with a total of 7 employees registering for adult higher education exams or program; organized national vocational skill level certification, with an additional 318 employees upgrading vocational skill levels; organized professional title application, with an additional 34 employees upgrading professional titles.
- During the Year, the Company successfully applied to be a model enterprise training center in Zhuhai. Approved by the Human Resources and Social Security Bureau of Zhuhai, Zhuhai-based enterprises within the Group can independently certify 6 professions[3]. During the Year, we completed training and examinations for our employees and issued certificates to a total of 325 employees.
- The Company, in collaboration with the Zhuhai Association of Workers' Education and Vocational Training, conducted certification for "Labor Relations Coordinators". The training content included the management of labor standards implementation, labor contract management, collective bargaining and collective agreement management, employee-employer communication and democratic management, employee grievance, and labor dispute resolution. The Group's 4 employees passed the examination and obtained the Labor Relations Coordinator certificate. The Company subsidized the registration fees for this certification, and employees who obtained the certificate were eligible to apply for a government subsidy.

[3] Refers to professions or types of work where enterprises are authorized by the government to independently conduct training and examinations; the final outcomes are reported to the government for record-keeping and approval, and enterprises are authorized to issue government-recognized certificates.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Support for degree programs and certifications *(continued)*

"Acts by Millions" training program

In 2023, the Zhuhai Municipal Government conducted full-coverage business training for various personnel categories, such as operation and management personnel, high-caliber technical personnel, and industrial workers, across all enterprises in the city, including SMEs (small and medium-sized enterprises). As an organizing enterprise, we called upon all employees to participate actively.

During the Year, 1,650 of our employees participated in the "Acts by Millions" training program and received subsidies from the Zhuhai Municipal Government; a total of 37 employees of the Group were awarded the "Learning Model" certificate by the Zhuhai Municipal Government; in addition, 3 subsidiaries of the Company (Livzon Hecheng, Pharmaceutical Factory, Livzon MAB) were recognized among the top 100 participating enterprises in Zhuhai for effective organization and active participation in training and received rewards from the Zhuhai Municipal Government.

9.2.3 Remuneration and benefits

Remuneration composition

In accordance with the requirements of relevant laws and regulations, Livzon has formulated the Remuneration Management System, the Administrative Measures for Remuneration Adjustment, the Provisions on the Base Salary of Fresh Graduates, the Administrative Measures for the Performance of Functional Head Offices and other policies, and has established a salary structure consisting of fixed and variable components for all employees (including non-officers and non-sales staff), with variable income linked to individual performance and the Group's performance, so as to motivate employees and their initiatives, maximize their personal value, and give full play to the incentive effect of the remuneration system on talents.

Every year, we also make appropriate adjustments to our employees' salaries and income in accordance with the market salary level and performance assessment results, and continue to improve our remuneration policy to protect the basic rights and interests of our employees and fulfill Livzon's commitment to valuing our employees and respecting labor. In addition, we have developed long-term stock incentive plans to fully motivate our talents and to promote mutual development, mutual benefit and win-win situation between the Company and our employees.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Performance appraisal

In accordance with the relevant provisions of the Administrative Measures for the Performance of Functional Head Offices, the Group regularly conducts monthly, quarterly, semi-annual and annual performance appraisals covering all employees. The appraisal content includes the employees' business performance, behavioral performance, etc., which serve as the objective basis for the employees' performance bonus distribution, salary adjustment, promotion or demotion, annual advanced selection, and position adjustment.

Adhering to the principles of "objective, fair, and timely feedback", the Group employs a multidimensional and multi-appraisal tool approach to comprehensively and objectively evaluate the performance of each team and individual. At the same time, we integrate the appraisal system, remuneration system, and employee development system to ensure that employees' efforts and value contributions are appropriately rewarded.

- **Exploration of various types of appraisals**

  By combining the business characteristics of each field, team, and position, we actively explore various types of performance appraisal and establish corresponding performance management system to promote the achievement of organizational goals.

  In respect of individual performance appraisal, in addition to using KPI as the main performance appraisal method, some units and subsidiaries of the Group have used various types of performance appraisals such as OKR (Objectives and Key Results), BSC (Balanced Score Card) and 360 Degree Feedback, in order to seek a more scientific, reasonable, holistic and operable performance appraisal management method. The basic dimensions of appraisal include the completion of key performance indicators (KPIs), execution capability, teamwork, individual learning and development, etc.

  In our approach to individual performance management, we also employ the team-based performance appraisal method. Firstly, we establish the team performance objectives for each department in accordance with the annual operation objectives, which include key project tasks and milestones. Then we break down these team objectives into individual work objectives for team members, including indicators for key tasks, output results, personal ability enhancement, etc. Lastly, following a results-oriented principle, we thoroughly evaluate an employee's team performance during his/her individual performance appraisal, providing performance summaries and coaching to form an effective performance cycle.

  In respect of team performance, we tailor personalized appraisal methods for different types of teams. For example, for R&D teams, we set an appraisal method with key milestones such as "obtaining clinical trial approvals" and "obtaining manufacturing approvals" as performance objectives; for production and sales teams, we set an appraisal method with "annual operation objectives" and "sales performance achievement rates" as performance objectives.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Performance appraisal *(continued)*

- **Exploration of various types of appraisals** *(continued)*

  In respect of subsidiary performance, the appraisal methods and indicators also exhibit diversity. For example, one of our subsidiaries employs different types of key indicators for employees at multiple levels: employees below supervisor level are uniformly appraised based on workload, work progress, quality of work, continuous improvement, work attitude (initiative, responsibility, result/customer-oriented awareness), and department-specific indicators; employees at or above supervisor level are appraised based on indicators such as departmental responsibilities, company-level key indicators (delivery, cost, quality, EHS, ESG, consistency evaluation), and key work.

  Simultaneously, in implementing our performance appraisal efforts, we incorporate performance indicators related to risk management into employees' performance appraisal. For example, we include performance indicators such as avoidance of quality management risks and avoidance of risks of production or environmental liability accidents in the performance appraisal of the general managers, and include avoidance of employment risks in the performance appraisal of the HR general managers. By including risk management in the scope of appraisal, we have successfully strengthened risk prevention awareness among all management and employees.

- **Performance feedback mechanism**

  We attach importance to providing timely and comprehensive feedback and guidance for employees during the performance management process. Our performance appraisal process is divided into the following four stages: performance planning, performance implementation and coaching, performance appraisal and interview, appraisal appeal and result feedback.

  Managers can provide timely feedback for employees through weekly/monthly regular work meetings, formal and informal performance interviews, and other methods at any of the above stages, and give employees relevant work improvement suggestions.

  Upon receipt of the feedback on the results of performance appraisal, if employees still disagree with the results of performance appraisal, they may lodge an appeal to their supervisors or the human resource department within 3 working days after receiving the results. The supervisors or the human resource department should respond to the appeal within 3 working days. In other aspects of performance management, employees who have objections, opinions, or suggestions can file appeals or provide feedback to the relevant responsible departments.

  After appraisal, the human resource department will review and summarize the results of performance appraisal, give feedback to each department, and require each department to improve the relevant issues identified during the appraisal period, and propose improvement actions.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Stock incentive

In order to continue to improve the long-term incentive mechanism, attract and retain outstanding employees, and fully motivate employees, Livzon has put forward various forms of stock incentive plans for the Group's key employees, middle management, senior management, directors and employees who have made outstanding contributions to the Company's performance or have significant impact on future performance of the Company.

Since the end of 2014, the Company has successively launched the 2015 Restricted A Shares Incentive Plan, the 2018 Share Options Incentive Plan and the Medium to Long-term Business Partner Share Ownership Plan to constantly improve the long-term incentive mechanism for employees. The 2015 Restricted A Shares Incentive Plan and the 2018 Share Options Incentive Plan were completely implemented in 2019 and 2022, respectively. The First Phase Ownership Plan under the Medium to Long-term Business Partner Share Ownership Plan purchased a total of 2,348,960 shares of the Company by way of centralized bidding transaction on 26 May 2021.

During the Reporting Period, the general meeting of the Company considered and approved two incentive plans:

- On 14 October 2022, the general meeting of the Company considered and approved the 2022 Share Options Incentive Plan (the "2022 Options Plan"). There were a total of 1,269 eligible participants in the 2022 Options Plan, specifically including: 1,026 eligible participants under the first grant, including 8 directors (excluding independent directors) and senior executives and 1,018 other employees; 243 eligible participants under the reserved grant, including 1 senior executive and 242 other employees. The number of share options under the first grant and the reserved grant of the 2022 Options Plan was 17,973,500 and 2,000,000, respectively. The first grant and the reserved grant were completed in November 2022 and November 2023, respectively.

  The 2022 Options Plan stipulates the vesting period of share options and the performance targets that must be achieved before exercising share options, and also specifies the exercise price of share options. The above standards and rules are helpful in realizing the incentive purpose of the plan, encouraging the eligible participants to do their best to achieve the performance targets, and supporting them to share the operation performance with the Group and to grow and develop together.

  In addition, the 2022 Options Plan also provides for a clawback mechanism under different circumstances. Depending on the circumstances, it may include the cancellation of unexercised share options and the recovery of the awards obtained by the eligible participants, so as to align the interests of the Company and the eligible participants.

- On 7 November 2023, the Third Phase Ownership Plan (the "Stock Ownership Plan") under the Medium to Long-term Business Partner Share Ownership Plan was considered and approved by the general meeting of the Company, and the Company purchased a total of 2,077,100 A shares of the Company by way of centralized bidding transaction from November to December 2023, with a transaction amount of approximately RMB71.0403 million. A total of 84 employees participated in the Stock Ownership Plan, including 8 directors (excluding independent directors), supervisors and senior executives, and 76 other employees. The shares purchased under the Stock Ownership Plan are locked for a period of 36 months, which is conductive to the effective realization of long-term incentives and constraints on the eligible participants, so as to facilitate the achievement of the Group's long-term operation objectives.

For details of the above 2022 Options Plan and the Stock Ownership Plan, please refer to Section III of the 2023 Annual Report of the Company.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Benefits and welfare

We are mindful of the well-being of our employees and continue to improve the benefit and welfare packages of employees. In terms of statutory benefits, during the Reporting Period, the total wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees by the Group amounted to RMB1,582.87 million (31 December 2022: RMB1,514.96 million).

In terms of non-statutory benefits, we provide a broad range of non-pay benefits for all employees of the Group, such as occupational health check-up, staff welfare for medical check-up, commuter shuttle, travel allowance, transport allowance, welfare dormitory, etc.; at the same time, we have dedicated benefits for employees who meet special conditions, such as flexible working practice, working from home, mother and baby room, special health check-up for women, consolation allowances for employees in desperate need, etc. Specific benefits are listed in the table below:

Non-statutory benefits for all employees of the Group

Housing

- Welfare dormitory
- Rent allowance
- Talent settlement

Convenient living

- Welfare canteens
- Meal allowance
- Commuter shuttle
- Transport allowance

Work support

- Travel allowance
- Communication allowance
- Shift allowance
- Office computer allowance
- External training with pay
- Afternoon tea, fruit, night snack for night-shift employees

Life

- Summer welfare, heat allowance
- Gym
- Various sports courses
- Book corner, English corner
- Employee activity center
- Employee association activities
- Cafe
- Team-building activities
- Fellowship activities

Health

- Occupational health check-up
- Employee welfare for medical check-up

Assistance

- Admission assistance for employees' children
- Employee assistance program
- Maternity/illness/work injury visitation

Holidays

- Holiday allowances or gifts for traditional festivals
- Birthday allowances or gifts for employees
- Lucky draw at annual meetings, back-to-work red packet following Spring Festival

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Benefits and welfare *(continued)*

Non-statutory benefits for employees of the Group who meet specific criteria

Work support

- Flexible working practice
- Working from home
- Assignment allowance

Housing

- Government talent apartments
- Government public rental housing
- Transitional housing for new recruits from other places

Talent support

- Work allowances for industrial talents
- Living allowances for introduced talents
- Incentive for skills upgrading of industrial talents
- Commercial insurance for high-end talents
- Post-doctoral workstation
- Advanced studies for master's or doctorate degree
- Stock incentive for key employees
- President's commendation

Security

- Accidental injury insurance for retirees/interns/ contractors
- Rewards for retired employees [4]

Women

- Mother and baby room
- Special health check-up for women
- Women-only parking space

Assistance

- Consolation allowances for employees in desperate need
- Serious illness relief fund for employees
- Funeral subsidies

In terms of statutory benefits, in accordance with national or local regulations, we provide employees with statutory holidays, rest days, sick leave, work-related injury leave, marriage and bereavement leave, prenatal check-up leave, maternity leave, paternity leave, breastfeeding leave, annual leave, etc. We also contribute to social insurance (including basic pension insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance) and housing provident fund for our employees.

[4] Note: In recognition of the employees who have served Livzon for a long period of time, the Company, in accordance with the Employee Retirement Reward Scheme, provides certain rewards to employees whose employment relationship with the Company has lasted for more than 10 years and who have gone through retirement procedures with the Company, based on the number of years the employment relationship has lasted. The scheme is applicable to employees who have a labor relationship with the Company and its wholly-owned or controlled subsidiaries established in Zhuhai.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Work-life balance and employee care

Livzon pays high attention to employees' well-being and sense of belonging, and advocates a work-life balance for employees by setting up an employee activity center, a gym, a book corner, etc. We regularly hold a range of sports competitions, such as badminton, basketball and table tennis, and various team-building activities, such as fun games, garden parties, Women's Day (March 8) activities, making zongzi at the Dragon Boat Festival, and answering lantern riddles at the Mid-Autumn Festival, so as to enrich the leisure time of our employees.

In addition, we encourage employees to develop personal hobbies. Employees have self-organized various clubs, such as dance (yoga) club, badminton club, e-sports club, basketball club, mountaineering club, music association, photography association, etc. These clubs support various club activities and provide a wide range of choices for employees with different hobbies.

We also provide heartwarming support for employees in all aspects of their work and life, such as visiting employees who are badly off / sick in hospital, giving Spring Festival relief funds for employees in severe difficulty, setting up a general manager's mailbox to hear from employees and respond to their appeals, distributing holiday gifts, etc., allowing employees to really feel the care and warmth from Livzon.

Case: A wide variety of diversified cultural and sports activities

During the Year, in order to put into practice the corporate culture value of "happy life, happy work" and to show the colorful leisure time of Livzon people, the Group held diversified sports competition activities, including the 26th Staff Basketball Game, the 13th Staff Football Game, the 20th Staff Badminton Mixed Team Competition, and the 19th Staff Mountaineering Team Competition; and a variety of cultural and sports activities, including the "Livzon Carnival" garden party, "Happy Walking, Happy Running, Welcoming the New Year" event, Mid-Autumn Festival garden party, talent competitions, Dragon Boat Festival activities, etc.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Work-life balance and employee care *(continued)*

Case: A wide variety of diversified cultural and sports activities *(continued)*

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Work-life balance and employee care *(continued)*

Case: Cultural and sports activities

- "Livzon Carnival" garden party event

  On 13 October 2023, the Company hosted the 2023 "Livzon Carnival" garden party event in the headquarters' industrial park. The "Livzon Carnival" is an annual corporate cultural event of Livzon. The event set up 42 carefully designed games that integrated traditional cultural elements, such as the lucky wheel and lantern riddle guessing, and it engaged all employees of the Group and their families. One aim of the event was for everyone to join in and enjoy themselves. Starting at 18:30, the event lasted nearly three hours. The harmonious and inclusive atmosphere left every participant fulfilled and longing for more.

- "Happy Walking, Happy Running, Welcoming the New Year" event

  At Livzon, employees bid farewell to the old year through sports, embarking on a journey towards a healthy new year. On the morning of 23 December 2023, over a thousand Livzon employees gathered on Jinwan Airport Road in Zhuhai to set off into 2024 through happy walking and happy running. The event comprised two forms of participation: happy walking, catering to the majority who prefer walking, and happy running, satisfying those partial to competitive running. This event invigorated Livzon employees, actually practicing Livzon's corporate culture value of "happy life, happy work".

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and benefits *(continued)*

Work-life balance and employee care *(continued)*

Case: Establishment of a serious illness relief fund for employees

In March 2024, we formulated the Employee Serious Illness Relief Fund Charter, aimed at providing financial support from the Company to employees facing sudden serious illnesses, aiding them in overcoming economic difficulties during such times. The establishment of the serious illness relief fund demonstrates a close integration of corporate culture with employees' well-being.

Annually, a portion of the budget, alongside special relief expenses from the trade union and employee donations, serves as the source of the relief fund. It is centrally managed and allocated for specific purposes only to ensure clear sources and transparent management. We have set different application criteria for different situations, offering assistance to eligible employees as promptly as possible.

The implementation of this system not only alleviates the financial burden on employees but also allows them to feel the Company's deep care and concern. Moreover, the establishment of the relief fund has strengthened the spirit of solidarity and mutual aid among employees, laying a solid foundation for the Company's harmonious and stable development.

9.3 EMPLOYEE COMMUNICATION

Livzon highly values the communication and exchange with employees, respects their opinions and advice, and strives to create an equal, harmonious, smooth and transparent communication environment for employees.

We provide employees with safe and confidential grievance channels and various communication channels, and set up a labor dispute mediation committee and a people's mediation committee to efficiently handle complaints and disputes; we regularly offer psychological education and one-on-one communication for employees, hold various discussion meetings, support employees to directly report their situation to their supervisors orally, by WeChat message, by phone, in writing and other forms, and understand employees' concerns and needs in a timely manner; the human resource department leaders of each enterprise of the Group regularly have in-depth communication with employees to effectively solve their difficulties in work and life.

9.3 EMPLOYEE COMMUNICATION *(continued)*

In addition, to improve employees' willingness to communicate, each unit of the Group has president's/general manager's/factory manager's suggestion boxes in its office building, and regularly distributes satisfaction survey questionnaires to anonymously collect employees' questions, opinions and suggestions and make targeted improvements, thereby increasing employees' satisfaction, sense of belonging and well-being.

During the Year, the human resource head office of the Company communicated with nearly a thousand employees one-on-one in the headquarters' industrial park of the Company, encouraged employees from different departments to give suggestions and opinions on the work of other departments, listened to employees' thoughts and demands, gave them timely feedback, and coordinated with each unit and department to meet their demands.

9.3.1 Grievance escalation procedures

Livzon is committed to providing employees with smooth and confidential formal grievance escalation procedures, keeping grievants and their grievance information strictly confidential, and taking necessary measures to protect their personal safety and legitimate rights and interests.

The Company has formulated the Employee Grievance Management System (the "Grievance System"), which covers all permanent employees, interns, part-time employees, contractors and other personnel who have established labor relationships with the Group, for all parties concerned to raise grievances for human rights and labor rights violations and other human resources-related incidents. Grievance channels include telephone, WeChat, email, on-site visits, suggestion boxes, etc.

We set the human resource departments of the Company and its subsidiaries as acceptance centers for grievance, responsible for recording, receiving, investigating, handling and following up on grievances. The human resource head office of the Company is responsible for coordinating and overseeing the handling of grievances throughout the Group, regularly statistically analyzing and summarizing the Group's grievance handling work on an annual basis, and reporting to the ESG Committee under the Board.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.1 Grievance escalation procedures *(continued)*

According to the Grievance System, grievants may raise the grievances to their supervisors or the officers of the grievance acceptance centers (collectively referred to as "grievance handlers"). The grievance procedures are as follows:

- The grievant may choose to raise a grievance anonymously or with his/her real-name, and the grievant's legitimate rights and interests will be fully protected in either case.
- If the grievant raises a grievance with his/her supervisor, the supervisor may directly investigate and deal with the grievance. A grievance may be closed if the grievant is satisfied with the resolution. The supervisor shall submit the investigation conclusion and resolution of the grievance in writing to a grievance acceptance center for record and shall be responsible for its follow-up.
- If the grievant is unsatisfied with the supervisor's resolution or raises a grievance directly to a grievance acceptance center, the grievance acceptance center shall investigate, deal with and follow up on the grievance.
- The grievance handlers shall complete the investigation within 15 working days and issue a report on the investigation results; if the investigation results show that the grievance is verified, the grievance handlers shall correct the violation within 30 working days after issuing the investigation report, or impose punishments such as warnings, demerits, and termination of labor contracts. Suspected offenders, in particular, will be transferred to the relevant judicial organs for serious treatment.
- The grievant shall be informed of both the report on the investigation results and the resolution to the grievance within 3 working days of their issuance in order to protect the grievant's right to know. If the grievant is unsatisfied with the investigation results, he/she may request a review by the supervisor of the original grievance handlers.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.1 Grievance escalation procedures *(continued)*

In order to protect the grievants' legitimate rights and interests, we keep grievants' personal information and the content of their grievance strictly confidential. The grievance handlers shall handle a grievance in a confidential manner by keeping grievance materials and records as confidential documents. In case of disclosure, we will deal with it seriously: if the circumstances are minor, they will be transferred out of their jobs or have their salaries reduced or have themselves demoted; if the circumstances constitute a crime, they will be transferred to public security organs for investigation of criminal responsibility in accordance with law.

Any retaliation against the grievant, once verified, will be punished by the Group in forms such as warnings, demerits, and termination of labor contracts according to the seriousness of the circumstances. Any offender will be transferred to public security organs for investigation of responsibility in accordance with law. We will protect grievants who raise legitimate grievances from any unfair dismissal, persecution or unauthorized disciplinary action for such grievances.

In addition, the Group also distributes questionnaires to employees every year to understand employees' satisfaction with the grievance mechanism and grievance resolution, and other related suggestions, and develops and takes improvement actions.

At present, we have made the grievance hotline and the Grievance System available on the Company's official website.

9.3.2 Communication of trade union

Livzon regards the trade union as the bridge between the management and ordinary employees. The trade union has the right to bargain with the Group on an equal footing on behalf of the employees and sign collective bargaining agreements according to law through collective bargaining to protect the rights and interests of the workforce.

In order to promote mutual understanding between the enterprise and our employees and enhance their sense of corporate identity, the Company's trade union holds regular workers' representatives conferences every year to maintain close communication with employees, makes consistent and wholehearted efforts to enhance benefit for employees, and delivers results for their well-being.

During the Year, 100% of the Group's workforce was covered by the trade unions and signed collective agreements.

Case: The 2nd workers' representatives conference in 2023

In June 2023, the Company's trade union organized and held a conference for the Group's employees, where an employee supervisor for the 11th session of the supervisory committee was elected through anonymous voting.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey

Livzon conducts an engagement survey annually to comprehensively collect employees' opinions and suggestions to monitor employee satisfaction. During the Year, the Group invited an external third-party professional organization to conduct an employee engagement survey with reference to the Gallup Kincentric model from 16 dimensions of drivers, such as organizational support, work-life balance, career development opportunities, diversity and inclusion, performance management, and employer brand, with an aim to monitor employee satisfaction. The survey covered aspects such as job satisfaction, purpose at work, happiness, stress, etc.

During the Year, the employee engagement survey covered all employees of the Group, with an employee response rate of 98% and an overall engagement score of 75%, which was 2 percentage points above the national average:

- The scores across 15 engagement dimensions showed improvement, with high levels of employee satisfaction observed in dimensions such as immediate supervisor, collaboration, decision-making, and diversity and inclusion.
- There was a general increase in the scores for all engagement drivers. Compared to the previous year, scores increased by 8 percentage points for senior management, 7 percentage points for empowerment/autonomy, 7 percentage points for organizational support, 6 percentage points for rewards and recognition, 4 percentage points for immediate supervisor, and 3 percentage points for diversity and inclusion.
- Furthermore, in this survey, we introduced questions related to employee satisfaction with gender equality, revealing that 74% of employees were very satisfied with the Company's gender equality.

Employee coverage
100%

Employee response rate
98%

Overall engagement score
75%

Data: Employee engagement survey 2023

The overall proportion of engaged employees was above the pharmaceutical industry level (+6 percentage points) and the national average (+8 percentage points)

The overall retention intention was above the pharmaceutical industry level (+3 percentage points) and the national average (+3 percentage points)

Engagement scores for 4 subsidiaries exceeded the best employer engagement level (87%)

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey *(continued)*

The Group takes action in response to the employee engagement survey results, and tracks performance over time. During the Year, we took a range of actions to improve employee engagement, such as improving employee benefits, welfare and care, providing extensive and multi-dimensional trainings, strengthening training for management officers, and holding multicultural activities, thereby continuously enhancing the Group's human resource management capabilities. Impressive results were achieved.

To enhance employee engagement, we took appropriate improvement actions for the key dimensions listed below in the order of priority optimization, secondary optimization, and continuous improvement. The specific implementation progress and improvement outcomes for the Year are detailed in the table below:

Actions Taken in Response to Employee Engagement Survey Results

Priority	Key dimensions	Improvement actions	Implementation progress	Improvement outcomes
Priority optimization	Performance management	• Improve the key performance evaluation system • Consolidate the performance appraisal implementation plan oriented to the operation of R&D projects	• Providing performance assessment consultations and guidance to ensure employees understand key performance indicators. • Providing the necessary resources and support to all business teams for timely formulation and optimization of performance assessment plans.	• Defined key performance indicators, set assessment standards, collected data for regular assessments, and made adjustments and improvements based on assessment results. • Defined goals and performance indicators for R&D projects, set weights, developed appraisal methods, and conducted regular assessments and feedback.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey *(continued)*

Actions Taken in Response to Employee Engagement Survey Results *(continued)*

Priority	Key dimensions	Improvement actions	Implementation progress	Improvement outcomes
Priority optimization	Organizational support	• Support employees' rational transformation and innovation • Set up more employee feedback and communication channels • Enrich employee benefits and care	• Conducting promotions through training to emphasize the importance of innovation and encourage employees to suggest rational transformation and innovation. • Setting up special channels for collecting suggestions (such as president's suggestion box, trade unions at various levels, HR department, website, etc.) to encourage timely feedback from employees. • Providing ample training and learning opportunities and benefits for employees, and conducting diverse employee activities.	• Created a positive atmosphere that supports employees' transformation and innovation for employees to promptly propose rational suggestions for improvements discovered during their work. • Evaluated employee-submitted rational suggestions and issues, and conducted one-on-one communications to resolve them, promoting communication and interaction among employees. • Coordinated relevant departments to ensure the timely distribution of various employee benefits; organized a range of activities for showcasing employees' talent to enhance the collective sense of honor and belonging among employees.
	Employer brand	• Strengthen the promotion of corporate culture and value	• Utilizing various communication methods to regularly disseminate content related to the corporate culture and value. • Hosting various forms of corporate culture events to strengthen employees' understanding of the corporate culture.	• Fostered employees' identification with the corporate culture and value through various team-building activities, and drove employees to implement the corporate culture and value in their actions.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey *(continued)*

Actions Taken in Response to Employee Engagement Survey Results *(continued)*

Priority	Key dimensions	Improvement actions	Implementation progress	Improvement outcomes
Secondary optimization	Empowered autonomy	• Develop the professional ability of young key employees • Encourage employees to take an active participation in projects	• Tailoring comprehensive training programs for young key employees, allowing them to grow and improve through practice. • Improving employee participation by paying attention to their needs and feedback in projects, defining their roles and responsibilities in projects, and providing them with relevant training and support.	• Comprehensively enhanced the professional ability of young key employees through trainings, enabling them to gradually become the backbone of the enterprise and take on greater responsibilities. • Enabled employees who encountered problems and challenges in projects to resolve them promptly and take initiative, leading to greater development space and opportunities.
	Senior management	• Inform employees of the Company's achievements in a timely manner to increase employees' sense of honor • Collect anonymously and respond to employees' opinions	• Updating employees on the Company's progress and achievements in R&D, production, sales, and other aspects through the Company's WeChat official account, Feishu, etc. • Opening communication channels like president's suggestion box to anonymously collect employee suggestions, analyzing issues, and giving timely feedback.	• Boosted effectively the collective sense of honor among employees who could instantly receive updates on product developments, honors and awards sent by the Company through various office software. • Enabled employees to be well-informed and make effective use of communication channels to submit rational suggestions to relevant management officers, and to receive timely feedback and solutions in return.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey *(continued)*

Actions Taken in Response to Employee Engagement Survey Results *(continued)*

Priority	Key dimensions	Improvement actions	Implementation progress	Improvement outcomes
Continuous improvement	Career development opportunities	• Establish a career development-oriented training system • Improve the talent pipeline and salary incentive mechanism	• Conducting career enhancement and development training programs for all employees, and providing employees with corresponding resource support and reward mechanism. • Sorting out the current talent landscape through talent review, establishing an internal talent pipeline of the Company, and optimizing the salary incentive system.	• Enabled employees to become clear about their personal career development directions and required skills by participating in various enhancement training programs conducted by the Group, and to develop, on their own, and actually implement their personal development plans. • Optimized internal talent assessment standards, established a talent pipeline of management and reserve key personnel, provided outstanding employees with more promotion and development opportunities, and created an open and transparent level system.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey *(continued)*

Actions Taken in Response to Employee Engagement Survey Results *(continued)*

Priority	Key dimensions	Improvement actions	Implementation progress	Improvement outcomes
Continuous improvement	Rewards and recognition	• Recognize employees' work performance in a timely manner • Continue to strengthen the implementation of the system of face-to-face communication between the management and the employees at multiple levels	• Establishing a sound reward mechanism to promptly recognize and reward employees for their outstanding performance. • Implementing a system of one-on-one face-to-face communication to understand employees' work progress and needs, and providing personalized support and assistance to accelerate their growth.	• Helped employees build confidence in their work and greatly ignited their enthusiasm at work with a sound incentive system. • Gained timely knowledge of employees' work dynamics by the management officers through face-to-face communication with employees, improved employee satisfaction and loyalty, and enhanced organizational stability.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey *(continued)*

For the low-scoring items for the Year, Livzon plans to continue taking appropriate improvement actions in the subsequent year, following the order of priority optimization, secondary optimization, and continuous improvement, to increase employee engagement. Specifically:

- From the dimension of employer brand, we intend to shape the enterprise's image and reputation in the minds of our employee by creating a favorable working environment and reshaping a positive corporate culture, thereby attracting and retaining outstanding talents.

- From the dimension of customer orientation, we will delve deeper into understanding customer needs and win their trust and satisfaction by delivering superior products and services. We will reinforce a customer-centric business philosophy within the enterprise, and establish good relationships between customers and the enterprise and between customers and employees, thereby achieving the long-term development of the enterprise.

- From the dimension of performance management, we will continuously improve and optimize the performance management mechanism, and provide regular assessments and feedback on employees' work performance, to increase both the work efficiency of employees and the overall corporate performance.

9.4 OCCUPATIONAL HEALTH AND SAFETY

The Group adheres to the EHS (Environment, Health and Safety) values of "Put life first, prioritize safety, follow regulations and laws, protect the environment", instituted an EHS policy, and established quantitative targets of "zero accidents and zero injuries". The Group is committed to continually improving the performance of the occupational health and safety ("OHS") management system.

We strictly abide by OHS related laws and regulations, including the Work Safety Law of the PRC, the Law of the PRC on the Prevention and Control of Occupational Diseases and the Fire Prevention Law of the PRC, as well as the OHS management system issued by the International Organization for Standardization (ISO). We have set the Environmental, Occupational Health, and Safety Management Policy (including OHS policies) and formulated a series of OHS systems, such as the Administrative Procedures for EHS Targets and Indicators, the General Requirements of EHS Management System, the EHS "Three Simultaneous" Management System for Construction Projects, and the EHS Meeting and Inspection Management System. The Group's OHS policy and related systems cover the Group's entire operations and all employees, as well as our contractors.

In addition, when we formulate the OHS policy and related systems, we will first release the drafts for consultation, and only formally publish them after we have consulted with workers and/or workers' representatives and made improvements and optimizations. Meanwhile, we also introduce OHS criteria and requirements in procurement and contractual requirements, so as to require third parties to comply with our OHS policy.

The Group actively implements the requirements of various provisions of the OHS management system, sets up and implements prioritization and action plans, continuously improves the OHS risk assessment and prevention mechanism, and strengthens risk emergency response capabilities. We provide a healthy and safe working environment for the Group's employees and contractors as well as other individuals associated with the Group's business, protecting them from potential health hazards and injuries.

As at the end of the Reporting Period, all manufacturing enterprises of the Group had been certified to GB/T 45001-2020/ ISO 45001:2018 Occupational Health and Safety Management System certification, with a certification rate of 100%. In particular, 7 manufacturing enterprises obtained the work safety standardization certificates.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

EHS Philosophy of Livzon

All accidents can be prevented;

Staff at all levels shall take the initiative to assume their own responsibilities for safety and environmental protection;

Safety and environmental protection must be taken care of in production;

Employees must receive strict job safety training;

Any errors or omissions found must be corrected immediately;

Technological progress is relied on to improve safety and environmental protection;

Safety outside work is as important as safety at work;

We advocate for energy conservation and emission reduction, while adhering to green production and sustainable development;

Employees are cared for and provided with occupational health protection;

Good safety and environmental protection equal good business performance.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

The ESG Committee under the Company's Board is responsible for formulating the OHS policy and other EHS related policies and systems, establishing annual safety work targets and plans, and supervising and reviewing their implementation. The Company and its subsidiaries are equipped with dedicated OHS management personnel who are responsible for OHS supervision and management to professionally protect the safety and health of the employees' working environment. During the Year, we updated and revised 15 EHS management systems, including the General Requirements of EHS Management System and the Administrative Measures for EHS Information and Communication, further clarifying EHS management requirements and improving the methods for EHS information reporting.

Besides, the Company conducts at least 1 comprehensive EHS audit every year on all manufacturing enterprises of the Group and continues to follow up on the improvement of each enterprise, so as to review and ensure the effectiveness of the OHS management system. During the Reporting Period, the Company's vice president in charge of EHS and general manager of the production technology head office led the staff of the production technology head office to conduct internal OHS audits on all manufacturing enterprises of the Group. The scope of the audits covered employee safety training, storage and use of hazardous chemicals, process safety, EHS management systems, change management, fire emergency, on-site safety protection facilities, etc.

The Group continues to take "zero accidents and zero injuries" as its ultimate goal, and annually evaluates and reviews the completion of OHS targets on a regular basis. During the Reporting Period, the Group achieved the quantitative targets of zero major safety accidents and a low rate of minor injury accidents. The annual work targets and plans for safety and environmental protection of all manufacturing enterprises of the Group have been implemented effectively. With respect to minor injury accidents, we have arranged treatment and provided compensation in accordance with the provisions of the Social Security Bureau, and conducted a comprehensive investigation into the cause of the accidents, so as to identify potential safety hazards and rectify them in a timely manner. We have also emphasized to all employees in safety training the relevant potential safety hazards and preventive actions to prevent re-occurrence of similar accidents.

In order to prevent OHS risks, the Company has organized its subsidiaries to develop the dual prevention system of grading and controlling risks and investigating and managing hazards according to their own actual conditions, so as to guide and strengthen the prevention and control of OHS risks of each subsidiary. We also commission qualified third parties to inspect and assess OHS hazard factors such as occupational diseases at the production site on a regular basis, so as to achieve accurate identification, assessments and management of related OHS risks. According to the results of the OHS risk assessments, we develop corresponding action plans and plan their prioritization to ensure the achievement of the quantitative targets of "zero accidents and zero injuries".

In order to respond to emergency situations, we have established relevant systems, such as the Administrative Measures for Contingency Plans for Emergency, the Comprehensive Emergency Plan, the Administrative Procedures for Contingency Plans and the Administrative Measures for EHS Accidents. We have formulated contingency plans for emergencies and conduct regular drills to ensure that we can respond to emergencies or accidents as quickly and effectively as possible, minimize the hazards of accidents, and protect employees' health and safety at all times.

Livzon continues to increase investment in OHS, actively maintains, modifies and upgrades technologies and facilities for work safety, and strives to eliminate potential risks. During the Reporting Period, Livzon invested an aggregate of approximately RMB27.16 million in OHS, the breakdown of which is as follows:

Investment in technology improvement for work safety	RMB12.13 million
Investment in operation and maintenance for work safety	RMB9.27 million
Investment in occupational health	RMB5.76 million

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.1 Occupational health

Livzon has formulated the Administrative Procedures for Occupational Health, and based on the principles of "prevention-oriented, comprehensive planning, adapting to local conditions and comprehensive management", optimizes and upgrades production equipment and occupational disease protection facilities, so as to create a healthy and safe working environment for employees.

During the Reporting Period, the Group recorded no new occupational diseases, suspected occupational diseases or occupational contraindications.

- **Occupational hazard investigation**

  In order to create a healthy and safe working environment for employees and ensure their physical health, each manufacturing enterprise of the Group commissions qualified unit to inspect, investigate and evaluate the occupational disease hazard factors at the production site on a regular basis. At the same time, we organize regular occupational health check-ups for employees every year to implement our principal responsibilities for preventing and controlling occupational hazards.

  The Group has established the Administrative Measures for EHS Accidents, which categorizes occupational hazards into three levels: A, B, and C based on their impact level. In the event of occupational hazard accidents of different levels, we initiate corresponding investigation procedures and impose penalties on relevant enterprises and responsible people, so as to control the occurrence of work-related injuries, diseases and incidents, and to protect the physical health of the Group's employees.

- **Occupational health notification**

  For job positions with occupational health hazards, we inform new employees of the risks of occupational health hazards and the measures to be taken to prevent and control occupational diseases in their positions through employment contract before they report for duty. We set up warning signs at prominent locations in workplaces where occupational health hazards exist to provide necessary information on occupational health hazards and protective measures.

- **Labor protective equipment**

  We equip employees who are exposed to occupational hazards with standardized, appropriate and effective personal labor protective equipment, regularly purchase and distribute such equipment for employees' use, and supervise the use of personal protective equipment to prevent occupational diseases. We set up flushing facilities in places with corrosive substances such as acid and alkali or potential risk of chemical burns, and maintain, upgrade and improve the occupational disease protection facilities.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.1 Occupational health *(continued)*

- **Occupational health check-up**

  We arrange pre-job, on-job and off-job occupational health check-ups for workers are exposed to occupational hazards, and establish occupational health files for tracking and management.

- **OHS training**

  The Group attaches great importance to training and publicity on OHS, and provides regular OHS training to employees and other relevant parties. We conduct targeted OHS training every year according to job characteristics and needs: we require personnel who are newly recruited, change positions and return to positions to attend pre-job training and to pass the assessment before they can officially take up their jobs, and ensure that all special operation personnel attend qualification training and obtain their work license; we provide trainings on knowledge of occupational health hazard prevention and control for employees on duty, and invite safety and health education experts to provide employees with mental health lectures and psychological rescue knowledge to ensure their physical and mental health; we provide OHS training to contractors and other relevant parties in accordance with the Contractor Safety Management System.

Case: Project of reducing noise at the sterilization positions in the large volume injection workshop

The noise level at the sterilization positions in the large volume injection workshop of Limin Factory was relatively high, and the sterilization cabinet environment was hot and humid, which impacted the health of the operators.

As a result, Limin Factory launched a noise improvement project, replacing the stainless steel plates on the sterilization cabinets with magnesium oxide boards and raising them to the ceiling. The project successfully reduced the noise from 86.9 dB to 81.4 dB, and it also separated the hot and humid environment from other work areas, alleviating the impact on other work positions.

The project successfully reduced noise emissions and diminished the health hazards to employees from the environmental factors such as high temperature and high humidity.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.1 Occupational health *(continued)*

At the same time, Livzon continues to invest in occupational health protection for employees, conducts regular maintenance of protection facilities, and continuously carries out technical improvements, and upgrades and modifications of protection facilities, so as to effectively protect the interests of employees' occupational health.

Livzon always cares about the health and safety of its employees by continuously optimizing the occupational health protection for employees, regularly maintaining and improving protection facilities, eliminating potential safety hazards for employees, and implementing the protection of employees' occupational health interests. During the Reporting Period, the number of Livzon's work-related fatalities and the number of lost time injuries occurring per 1 million hours worked (lost time injury frequency rate, "LTIFR") are as follows:

Number of work-related fatalities of employees in 2023 (person)	0
Number of work-related fatalities of contractors in 2023 (person)	0
LTIFR of employees in 2023 (LTIs/million hours worked)	0.13
LTIFR of contractors in 2023 (LTIs/million hours worked)	0.00

9.4.2 Work safety

Livzon adheres to the work safety policy of "safety first, prevention foremost, comprehensive governance, total involvement, risk control and continuous improvement". During the Year, the Company revised and updated a series of work safety systems, such as the Management System for Identifying Hazard Sources and Grading and Controlling Safety Risks, the Work Safety Responsibility Management System, the Regulations on Work Safety Penalties, the Contingency Plans for Production Safety Accidents, the Work Safety Training Management System, and the Contractor Safety Management System, which cover the safety management structure and rules of procedure, safety risk grading and control, hazard investigation and management, contingency plans, assessment method, measures of accountability, and other matters. They have consolidated the Group's objective of sustained stable work safety.

We regularly review the work safety status of all the Group's operations and relevant stakeholders, implement work safety management requirements, and rectify any problems identified in a timely manner. At the same time, we provide regular work safety training to employees and relevant parties to ensure production safety.

In addition, based on the Ten Prohibitions for Work Safety, the Company requires all manufacturing enterprises of the Group to implement a safety responsibility system and strictly manage and control all links in production and operation. We renew and upgrade production equipment, introduce work safety automation systems, and help identify risk points and control danger points for production lines, so as to prevent work safety accidents caused by human operation errors and steadily promote the establishment of the Group's work safety.

As at the end of the Reporting Period, 6 manufacturing enterprises of the Group had conducted HAZOP (Hazard and Operability) analysis.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety *(continued)*

Laboratory safety management

We have established a biosafety committee. During the Year, we continued to strengthen oversight of safety work in the biological laboratory. We have well-established biosafety management systems and biosafety self-inspection systems, such as biosafety manual, emergency response plan for biosafety accidents, and accident handling and reporting system. We conduct a biosafety self-inspection quarterly. Self-inspection items include personnel training, instruments and equipment, strain management, waste inactivation, etc. We also develop contingency plans for biosafety accidents and conduct drills annually, which allow relevant personnel to fully grasp the procedures for handling biosafety accidents.

We have established strict regulations for personal protection, sign warning, facility configuration and biological waste management in the biological laboratory. We require laboratory personnel to conduct regular check-ups and maintain health records, and equip the laboratory with sufficient emergency supplies to fully ensure the health of laboratory personnel; install biosafety warning signs at the entrance to the laboratory area and on biosafety cabinets and other equipment to increase the safety awareness of personnel entering the area; equip the laboratory with a positive room and a dedicated biosafety cabinet to ensure safety at the equipment level; classify and collect waste produced during experiments, and dispose of it only after proper handling.

We have established management systems of personnel pre-job training and appraisal, including the Training Management System, the Administrative Procedures for Personnel Qualification Confirmation, the Administrative Procedures for Training Appraisal and Evaluation, the Administrative Procedures for Quality Control Laboratory Training, and other system documents. We conduct biosafety trainings for all personnel involved in experimental activities, and they are allowed to work only after passing the appraisal; we also conduct monthly trainings on job-related operation knowledge.

During the Year, Pharmaceutical Factory successfully passed the biosafety inspection of pathogenic microorganism laboratories in Zhuhai in 2023 by the Health Bureau of Zhuhai and the provincial-level spot checks on biosafety of pathogenic microorganism laboratories in 2023 by the Office of the Health Commission of Guangdong Province.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety *(continued)*

Case: Some work safety improvement projects in 2023

➤ **Livzon Hecheng**

- Program to upgrade and retrofit the safety system in the 500T tank farm

  Livzon Hecheng invested RMB2.3 million in retrofitting the tank farm by adding an automated control system and an infrared thermal imaging monitoring system, enabling remote operation and anomaly alarm monitoring to mitigate safety risks and improve fire emergency response.

- Program to build a digital information platform for safety management

  Livzon Hecheng invested RMB400,000 in building a digital information platform for safety management. Leveraging AI technology, standardized processes, and intelligent inspections, a dual prevention mechanism of grading and controlling risks and investigating and managing hazards was established to improve the level of safety management.

➤ **Xinbeijiang Pharma**

- Program to upgrade and retrofit the production equipment and facilities for automatic control

  Xinbeijiang Pharma accurately measured and controlled the key process parameters of the production process by adding new equipment such as storage tanks, reaction tanks or feed pumps required for production, or by upgrading its process automation control and interlocking control systems for level, pressure, temperature, etc. It enabled automation and visualization of production, thereby improving production management level and productivity; it enabled the functions of anomaly alarm and automatic control, which reduced the safety risks of production operations.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety *(continued)*

Management and control of safety risk

In accordance with accident prevention systems such as the Management System for Identifying Hazard Sources and Grading and Controlling Safety Risks, we regularly identify and analyze hazard sources in production and operation activities, and products and services, grade the level of risks, and formulate corresponding plans and measures for management and control based on the grading results.

Safety emergency management

According to the Administrative Measures for Contingency Plans for Emergency and based on actual conditions, we prepare contingency plans covering comprehensive contingency, special contingency and on-site disposal, conduct regular trainings and emergency drills for relevant personnel, and further improve the contingency plans and disposal plans based on the drill results.

Hazard investigation and management

In accordance with the Management System for Investigating and Managing Accidental Hazards, we conduct regular hazard investigation for all factories of the Group, which cover production procedure, production sites, warehouses for product storage, construction sites, and other areas. If a hazard is identified, we require factories to complete the correction within a limited period of time, and to conduct regular review and appraisal of the factories.

Safety training and education

We attach great importance to safety training and publicity, prepare practical safety training materials according to job characteristics and needs, and conduct targeted safety education. We require personnel who are newly recruited, change positions and return to positions to attend pre-job training, and they can only be arranged to work after passing the assessment; we conduct qualification trainings for special operational personnel to ensure that they work with certificates. The Group also conducts safety education and promotion for employees at multiple levels and of different types, aiming to enhance the overall safety awareness of employees.

Moreover, in accordance with the Contractor Safety Management System, we provide work safety trainings for all relevant personnel involved in construction from external parties, so as to ensure operation is in compliance with regulations and prevent the violation of regulations.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety *(continued)*

Safety culture promotion

In order to raise awareness of work safety awareness among all employees, we regularly organize various theme activities around work safety. We designate the 4th, 14th and 24th days of each month as the safety reflection days of the Group and conduct safety reflection activities, including work summary, training and education, discussion meetings, emergency drills, hazard investigation, etc. By identifying and addressing gaps in work safety activities, along with summary and reflection, we actively mobilize the enthusiasm of employees to participate, increase the safety awareness of all employees, prevent safety accidents, and collectively promote the building of a safety culture.

Case: Safety education and training, safety contingency plans, and drill activities

- Livzon Hecheng

  In June 2023, Livzon Hecheng conducted a Work Safety Month event themed "Everyone Should be Aware of Safety and Capable of Emergency Response". The mobilization meeting of the event was attended by a total of 548 people, including the general manager, the management, heads of workshops/departments, and safety officers, who took an oath to firmly establish a people-oriented and safe development philosophy.

  During the Work Safety Month, Livzon Hecheng organized a comprehensive emergency drill for a chemical fire accident in the 500T tank farm. Participants, through on-site observation and actual drills, became proficient in emergency rescue and disposal procedures and the principles and processes of emergency response in the event of accidents. This drill not only further enhanced the comprehensive emergency rescue level of the emergency response team, but also improved their ability to control hazards and losses to the minimum immediately. It would be of great help in responding to emergencies in the future, and exercised the organization, command, and emergency response capabilities of the emergency rescue team.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety *(continued)*

Safety culture promotion *(continued)*

Case: Safety education and training, safety contingency plans, and drill activities *(continued)*

- Fuzhou Fuxing

  In June 2023, Fuzhou Fuxing, aligning with the theme "Everyone Should be Aware of Safety and Capable of Emergency Response" and the actual situation of the enterprise, selected 10 instructive short films on emergency drills and essential safety knowledge and organized all employees to participate in company-level safety education and training. This effectively bolstered the emergency awareness and work safety capacity of all employees.

  Throughout 2023, each department also actively organized and conducted safety experience sharing sessions themed "New Employees Learn Safety from Experienced Employees". Through forms of one-on-one sessions or discussion meetings, experienced employees imparted safety experience (e.g., sharing accident cases from personal experiences, precautions for job-specific operations, etc.) to new employees. This helped new employees avoid work-related risks, understand the importance of work safety, and enhance their prevention awareness and safety skills, which effectively prevented and reduced the occurrence of accidents.

Contractor safety management

Livzon is acutely aware of the importance of contractor safety management. During the Year, we referenced more relevant laws and standards issued by the State, such as the Work Safety Law of the PRC, the Construction Law of the PRC, and the Standard of Construction Safety Inspection to update the Contractor Safety Management System, thereby further improving the applicability and completeness of the system.

We extended the application of safety management requirements to contractors. We provide safety trainings for all relevant personnel involved in construction from external parties, supervise their construction, establish safety files, and conduct regular safety performance appraisals to improve the safety management level of contractors.

10

GREEN OPERATION

Livzon has taken environmental protection as its own responsibility and always implemented the concept of green development. Livzon strictly abides by the Environmental Protection Law of the PRC, the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Regulations on the Administration of Pollutant Discharge Permits, the Guidelines for the Identification of Potential Soil Pollution Hazards in Key Regulatory Units (Interim), the Energy Conservation Law of the PRC and other related environmental laws and regulations. We have published the Environmental, Occupational Health, and Safety Management Policy with reference to the standard requirements of the ISO 14001 Environmental Management System, and kept improving the internal environmental management system. At the same time, we have built the EHS management structure, strictly implemented EHS management responsibilities at multiple levels, and continuously increased investment in environmental management. In addition, we have actively conducted training activities to enhance employees' environmental awareness and capabilities, and continuously improved the Group's environmental performance.

Taking into account actual operations and the characteristics of the pharmaceutical industry, the Company focuses on all key areas of environment management (such as air emissions, water discharges, waste, noise and energy), and, accordingly, has established a series of comprehensive internal management systems including the Procedures for Air Emission Management, the Procedures for Wastewater Management, the "Three-waste" and Noise Management System, the Procedures for Solid Waste Management, the Soil Pollution Hazard Investigation System, the Procedures for Noise Emission Management, the Procedures for Resources Management, the Procedures for Energy Management, the Energy Management System, the EHS "Three Simultaneous" Management System for Construction Projects, the General Requirements of EHS Management System, the Contingency Plan for Environmental Emergency, etc., and requires all operations of the Group to strictly abide by and implement them.

The Company conducts harmonized management of wastewater, waste gas, waste and noise through the EHS management department, timely updates pollutant treatment technology, regularly conducts pollutant testing, and continuously improves the level of environmental management. To ensure the effectiveness of the environmental management system, we collect updated relevant laws and regulations on a monthly basis, and revise and improve the environmental management system in accordance with legal requirements and the actual operations of the Group, so as to ensure that relevant systems in various key areas of environmental management are approved, environmental management requirements are implemented, and environmental targets and commitments are fulfilled.

In addition, combining with their own circumstances, all manufacturing enterprises of the Group have also established the Environmental Protection Responsibility System, the Wastewater Treatment Station Management System, the Hazardous Waste Management System, the Air Emission Management System, the Soil Hazard Investigation System, the Environmental Performance Appraisal and Reward and Punishment System and the Noise Pollution Prevention and Control Procedures and other various environmental management systems, signed environmental protection target and responsibility statements, formulated annual key environmental targets and correspondent work plans, and reviewed the achievement of each target on a regular basis.

During the Reporting Period, there were no environmental pollution incidents or environmental administrative penalties, waste gas and wastewater were all discharged or reused after being treated to meet the discharge standards, no environmental monitoring items exceeded the standards, and wastes were all disposed of or recycled in compliance with regulations.

During the Year, Livzon's investments in environmental protection are as follows:

Investment in maintenance of environmental protection operation	RMB68.21 million
Investment in upgrade of environmental protection facilities	RMB10.66 million

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM

Livzon always adheres to the EHS management policy of "compliance with laws and regulations, prevention of risks, continuous refinements and timely communication", keeps advancing the establishment of the Group's environmental management system, and continues to promote the standardized and systematic management of the Group's EHS. We develop and continue to improve environmental management related systems, strictly control the discharge of pollutants, continuously optimize the use of resources, and reduce resource consumption. We also conduct regular reviews and appraisals on the operation of the environmental management system of each manufacturing enterprise and conduct in-depth analysis of various environmental management indicators to ensure the effective operation of the environmental management system.

As at the end of the Reporting Period, all manufacturing enterprises of the Group had established the internal environmental management system (EMS). All manufacturing enterprises of the Group had been certified to the GB/T 24001-2016/ISO 14001:2015 Environmental Management System (EMS) certification (100% certification rate).

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.1 Management structure

To ensure the effective operation of environmental management system and continuous improvement of EHS management performance, Livzon has established a top-down management structure, decomposing the EHS management tasks item by item and implementing principal responsibilities of EHS management, thereby providing strong support for the continuous promotion of the Group's EHS management.

- The ESG Committee of the Board is responsible for establishing policies and systems related to EHS such as environmental management and use of resources, reviewing the performance on a regular basis and reporting to the Board on such matters;

- The EHS management department of the Company (i.e. the production technology head office) is responsible for implementing the Group's EHS work tasks and managing and supervising EHS-related work of the subsidiaries;

- The Company's subsidiaries also have EHS departments responsible for their own EHS works, such as specific implementation of energy conservation and emission reduction, three-waste (wastewater, waste gas and solid waste) discharge management, climate risks management, carbon emission management, ensuring environmental protection investments and environmental protection technology upgrades, occupational health and work safety, etc.

10.1.2 Certification

The Company has made great efforts to facilitate its subsidiaries to obtain ISO environmental management system certifications, implement cleaner production, apply for accreditation of green factory, etc., in order to promote environmental management in a standardized and systematic manner and comprehensively improve the environmental management level of its subsidiaries.

As at the end of the Reporting Period, all manufacturing enterprises of the Group had been certified to GB/T 24001-2016/ ISO 14001:2015 Environmental Management System (EMS) certification (100% certification rate).

In addition, among all manufacturing enterprises of the Group, 10 had completed the cleaner production audit, 3 had obtained the certification for "National Green Factory", and 2 had obtained the certification for "Provincial Green Factory".

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.3 Regular audit

According to the requirements of ISO 14001 environmental management system, each manufacturing enterprise of the Group operates and maintains the effectiveness of the system in a method of "Plan – Do – Check – Act" (PDCA). Meanwhile, Livzon regularly conducts internal and external audits to verify the operation of the EHS management system and EHS management performance of each subsidiary in order to improve the Group's EHS management level in a targeted manner.

Internal Audit

Livzon has established the EHS internal audit system according to requirements of internal policies such as the EHS Meeting and Inspection Management System, and conducts regular environmental management audits on all manufacturing enterprises of the Group. Audits mainly include contents such as EHS compliance, implementation of the "three-simultaneous" system, operation of pollution treatment facilities, air emissions and greenhouse gas emissions, discharge of pollutants into water and land, generation of hazardous and non-hazardous waste, storage and disposal, storage and use of hazardous chemicals, implementation of EHS accountability system, personnel training, hazard investigation, emergency plans and drills, etc. The frequency of internal audit is as follows:

- The production technology head office of the Company conducts as least 1 comprehensive EHS audit every year on all manufacturing enterprises of the Group, and continues to follow up on the improvement of each enterprise;
- The API business department of the Company conducts 3 to 4 EHS cross-checks every year for the API manufacturing enterprises of the Group, and continues to follow up on the improvement of each enterprise;
- All manufacturing enterprises of the Group conduct at least 1 EHS meeting and inspection at the corporate level every month, and rectify findings in a timely manner;
- All enterprises of the Group that have obtained the ISO management system certification conduct at least 1 EHS comprehensive internal audit every year (as at the end of the Reporting Period, all manufacturing enterprises of the Group had been certified to ISO 14001 management system certification), and carry out management reviews according to the audit results. Accordingly, the management of the Company evaluate and make improvement suggestions on the applicability, adequacy and effectiveness of the operation of the management system.

External Audit

- All enterprises of the Group that have obtained the ISO management system certification engage independent third-party certification institutions to conduct EHS system supervisory audits once a year (as at the end of the Reporting Period, all manufacturing enterprises of the Group had been certified to ISO 14001 management system certification, which means all relevant operations of the Group conduct an external independent audit once a year), and to conduct audits of recertification (certificate renewal) once every three years.

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.4 Compensation linked to ESG performance

Livzon has established a system for linking ESG performance to executive compensation. The Company has included ESG appraisal indicators, weighted at 10%, in the executives' personal performance appraisal. If the ESG appraisal indicators are not met, the annual performance bonuses of the executives will be proportionately reduced. In addition, we also include ESG indicator in the operation performance appraisal of our subsidiaries to earnestly implement the Group's environmental management requirements, facilitate the achievement of the Group's environmental management targets and carbon neutrality goal, and fulfill our commitment to green and low-carbon operation. Details are as follows:

- Set an ESG appraisal indicator (weighted at 10%), including achievement of environmental targets (e.g. reduction of toxic emissions and waste discharge) and carbon emission reduction goals, ESG governance, etc. in the personal performance appraisal of all members of the ESG Working Team.

  The members of the ESG Working Team cover the senior management for all operations of the Group, which include:

  (1) President, all vice presidents, chief scientist, chief investment officer, chief medical officer, secretary to the Board, all assistants to president, dean of research institute, general manager of API business department, general manager of traditional Chinese medicine business department; and

  (2) Heads of each functional department, heads of each business unit, and heads of each subsidiary of the Company.

  If the ESG appraisal indicators are not met, the annual performance bonuses of the above-mentioned members of the ESG Working Team will be proportionately reduced.

- Set ESG and EHS related appraisal indicators respectively in (a) the personal performance of the head of the Company's EHS department, (b) the personal performance of the EHS executives of each subsidiary and (c) the operation performance of each subsidiary, which include achievement of environmental targets (e.g. reduction of toxic emissions and waste discharge) and carbon emission reduction goals, ESG governance, EHS performance, etc. The ESG appraisal indicators of the head of the Company's EHS department, in particular, are weighted at 10%, and the amount of EHS bonuses is determined for each subsidiary based on the appraisal score.

- Due to the relatively high amount of energy consumption and emissions of the API enterprises of the Group, the Company has set up additional special bonuses for each API subsidiary, and the bonuses are distributed to the enterprises which achieve the emission reduction targets, in order to encourage the enterprises to actively engage in energy conservation and emission reduction (e.g. toxic emissions and waste).

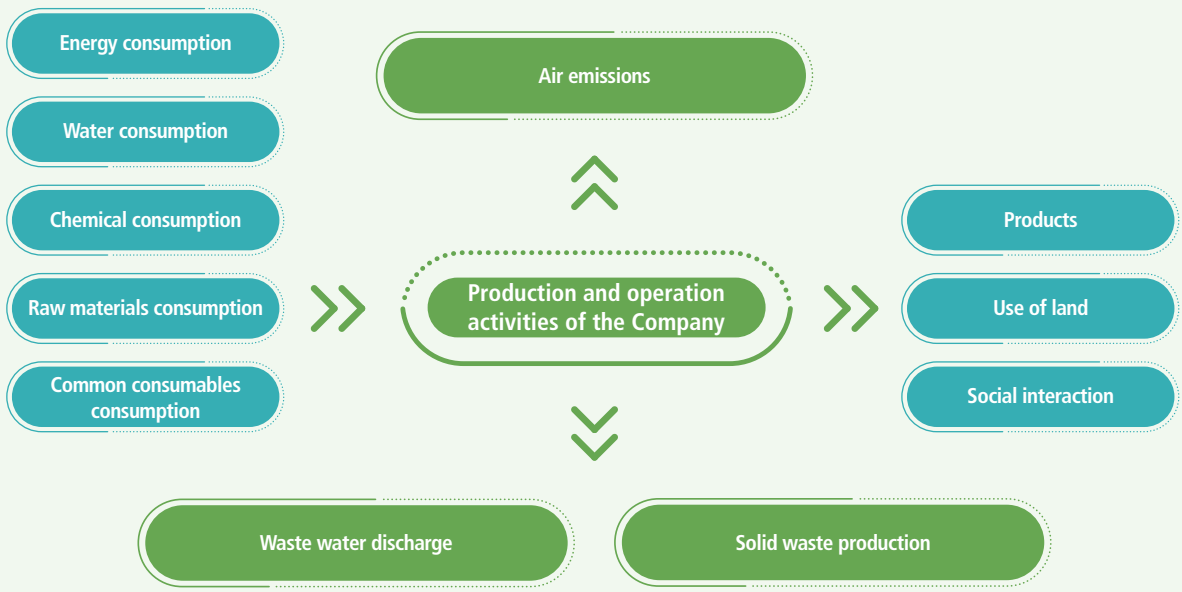
10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.5 Environmental risk management

In order to further strengthen the management and control of environmental risk, the Company has formulated systems including the Identification and Assessment Requirements of Environmental Factors, the Guidelines for Management of EHS Changes, etc. Taking into account the requirements of ISO 14001 Environmental Management System, we regularly identify and review the environmental risk factors, develop and improve risk control measures. By regulating the daily environmental management, continuously upgrading facilities and equipment used for environmental protection, enhancing emergency response capabilities for environmental incidents, we continuously improve our risk prevention level and strengthen environmental risk management and control.

- **Identification of major environmental factors:** By identifying various environmental factors in production and operation activities and evaluating the risk levels with rating methods, the Company has formed a list of major environmental factors, and developed corresponding management schemes and control measures to reduce environmental risks and prevent environmental risk incidents.

Environmental Factors Identification Flow Chart



10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.5 Environmental risk management *(continued)*

Specific measures on risk management and control:

- **Conducting regular environmental monitoring:** According to the relevant requirements of the Regulations on the Administration of Pollutant Discharge Permits, the Self-monitoring Technology Guidelines for Pollution Sources–General Rule, the Self-monitoring Technology Guidelines for Pollution Sources–Pharmaceutical Industry Chemical Synthesis Products Category, etc., each manufacturing enterprise of Livzon conducts regular environmental monitoring work based on their actual conditions to effectively monitor their discharge of pollutants, discloses environmental monitoring result in a timely manner, and is subject to the examination of administrative authorities and supervision of the public.

- **Continuous guarantee of investment in environmental protection:** Each manufacturing enterprise of Livzon regularly maintains environmental protection facilities to ensure their stable operation. In addition, in order to further enhance environmental performance, Livzon continues to increase investment in environmental protection, upgrading and modifying treatment facilities of waste gas and wastewater and storage facilities of solid waste. During the Year, the Group's total investment in environmental protection was approximately RMB78.87 million.

- **Strengthening emergency response capabilities:** Each manufacturing enterprise of Livzon has set up an emergency response leading team and working team, has formulated the Contingency Plan for Environmental Emergency based on its actual environmental risks, and regularly conducts professional training and emergency response drills in order to ensure that the emergency measures can be quickly initiated and executed in the event of environmental incidents and to improve the emergency response capabilities for crisis events.

10.2 ENVIRONMENTAL MANAGEMENT TARGETS

Livzon established and published the Environmental Management Targets of Livzon Group for 2021-2025 according to the Reporting Guidance on Environmental KPIs of the ESG report issued by Hong Kong Stock Exchange, with reference to the management practices of domestic and overseas peers and combining its own operation characteristics, in order to achieve the Group's refined management on pollutants discharge and use of resources. This document clearly regulates the quantitative targets of each indicator and action plans which the Group will take to achieve the targets, and specifies the people in charge of each step.

The production technology head office of the Company is responsible for following up the target achievement progress of the Group and each subsidiary quarterly. The ESG Committee of the Board is responsible for overseeing and reviewing the environmental management strategy and performance, and providing improvement suggestions, and reports to the Board on a regular basis.

10.2 ENVIRONMENTAL MANAGEMENT TARGETS *(continued)*

To further improve the management of pollutant discharge and resource utilization, the Company, based on set environmental management targets, continues to advance the implementation and regularly reviews the progress of environmental management work.

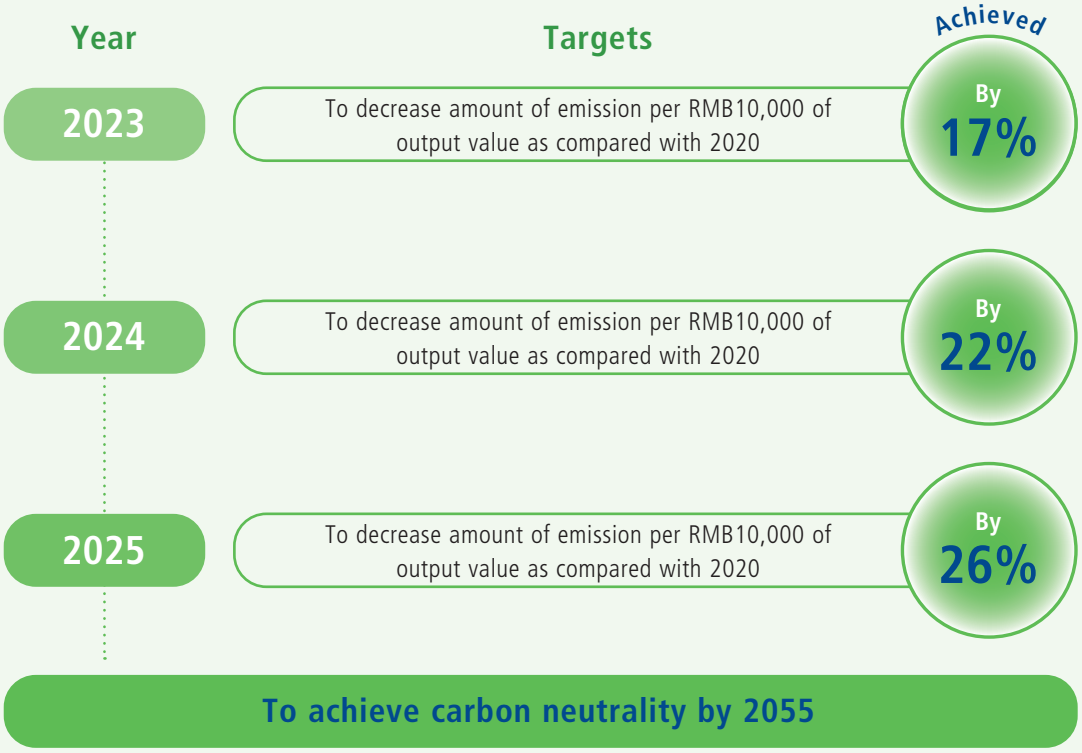
Livzon's Environmental Management Targets for 2023-2025 and Achievements in 2023

Item	Indicator	Targets for 2023-2025	Decline in 2023 compared with the base year[Note]
Sulphur dioxide (SO_2)	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	41.37%
Chemical Oxygen Demand (COD_{cr})	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	40.20%
Hazardous waste	Amount of disposal per RMB10,000 of output value	To decrease by 0.5% compared with the previous year	25.33%
Non-hazardous waste	Amount of disposal per RMB10,000 of output value	To decrease by 0.5% compared with the previous year	20.39%
Water	Amount of consumption per RMB10,000 of output value	To decrease by 3% compared with the previous year	18.60%
Electricity	Amount of consumption per RMB10,000 of output value	To decrease by 3% compared with the previous year	14.51%
Ammonia nitrogen	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	35.62%
VOCs	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	30.59%
Nitrogen oxides (NO_X)	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	45.35%
Particulate matter	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	50.72%

Note: The base year for water, electricity, chemical oxygen demand (COD), sulfur dioxide, and hazardous waste is 2020, while the base year for the remaining five environmental management targets is 2021.

10.2 ENVIRONMENTAL MANAGEMENT TARGETS *(continued)*

In addition, to actively respond to the national dual-carbon goals of "achieving carbon peaking by 2030 and carbon neutrality by 2060" and continuously practice the concept of low-carbon operation, Livzon established the targets for carbon emission reduction and carbon neutrality (scope 1 & scope 2) in 2021 and kept tracking the achievement of these targets during the Year. The targets for carbon emission reduction and carbon neutrality and their achievement in the Year are shown in the table below:



10.3 POLLUTANTS CONTROL

The Group strictly abides by relevant laws and regulations on pollutants prevention and treatment, continues to improve relevant internal management systems, conducts strict control on various aspects such as air emissions, wastewater, solid waste, soil pollution hazard investigation, noise, etc., making sure that various pollutants are treated in compliance with regulations and discharged after meeting the standards. In addition, we take measures of reducing and limiting production for heavy pollution weather, making our best to minimize the negative impact of pollutants on the atmosphere, water, soil and other environments.

For new construction, modification and expansion projects, Livzon strictly implements the environmental protection "Three-Simultaneous" system (environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main facilities of the project) in accordance with the laws and rules such as the Environmental Impact Assessment Law of the PRC and the Administrative Rules of Environmental Protection for Construction Projects, so as to achieve effective control over the pollutants discharge from the initial stage of project construction.

10.3 POLLUTANTS CONTROL *(continued)*

During daily production and operation, in accordance with the Regulations on the Administration of Pollutant Discharge Permits and the Self-monitoring Technology Guidelines for Pollution Sources–General Rule, the Company requires its subsidiaries to engage qualified third-party monitoring agencies to carry out self-monitoring on a regular basis, to disclose environmental monitoring information in a timely manner and to be subject to review by regulatory authorities and public supervision.

10.3.1 Treatment of air emissions

Livzon strictly abides by the Atmospheric Pollution Prevention and Control Law of the PRC and other relevant laws and regulations. The Company has formulated the Procedures for Air Emission Management as the guideline of air emission management for the whole Group. In addition, in combination with their own actual conditions, each manufacturing enterprise of the Group has established and implemented the "Three-Waste" and Noise Management System, Air Emission Management System and other specialized management systems for air emission, and continuously promotes air emission reduction on the foundation of ensuring emission after reaching standards, ensuring that the environmental management targets will be achieved successfully.

Each manufacturing enterprise of the Group has established air emission monitoring and management systems, enabling the monitoring and management of various air emissions. For the air pollutants of different components in each workshop of the manufacturing enterprises, we adopt different treatment processes, provide specific air emission treatment facilities to treat and discharge air emissions after they meet the standards, and make efforts to connect all air emissions to collection pipelines to reduce diffuse air emissions. Furthermore, we regularly schedule inspections of air emissions by professionals and arrange for personnel to conduct daily odor patrols inside and outside plants. Any detected peculiar smell will be promptly traced and addressed.

To verify the effectiveness of air emission management work, we engage qualified third-party testing agencies to sample and test each air emission point monthly. Additionally, we conduct trainings on environmental awareness and professional skills for relevant personnel to improve the air emission management concepts and professional capabilities of employees at related positions, so as to ensure the effective implementation of air emission treatment policies.

Livzon's major air pollutants (i.e. VOCs, nitrogen oxides, sulphur dioxide, and particulate matter) emission data for the Year are detailed in Section 12.2 of the Report.

To reduce toxic emissions during the operation, we conduct air emissions treatment improvement programs across all operations of the Group every year. These programs include regularly replacing air emissions treatment facilities, modifying and upgrading air emissions treatment processes, conducting comprehensive treatment of VOCs (volatile organic compounds), centralized collection and treatment of diffuse waste gas, etc., with the aim of continuously reducing air emissions of sulphur dioxide, nitrogen oxides, smoke and dust, VOCs, etc. At the same time, we keep tracking the operation and treatment effect of the air emissions treatment improvement programs to ensure the effective implementation of air emission reduction and treatment and reduce the emission of air pollutants to the greatest extent possible.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.1 Treatment of air emissions *(continued)*

Major Air Emissions Treatment Improvement Programs

Company name	Type of air emissions treatment improvement program	Program description
Ningxia Pharma	Air emissions recycling	During the Year, Ningxia Pharma engaged in technical exchanges and collaboration with companies with specialized qualifications for tail gas recovery. By employing membrane recovery process to recover acetone tail gas from the API extraction production line, the recovery rate of over 90% was achieved, and VOC emissions were effectively reduced.
Xinbeijiang Pharma	Equipment replacement	During the Year, Xinbeijiang Pharma added first-level waste gas spray towers at the tail gas end of the second fermentation workshop to enhance the cooling of fermentation tail gas. By lowering the temperature of air emissions at the emission points, the odor from the tail gas during the fermentation tank sterilization was significantly reduced.
Pharmaceutical Factory	Equipment replacement and technological upgrade	During the Year, Pharmaceutical Factory dismantled the original spray + UV photolysis process air emissions treatment system at the wastewater station and adopted a bio-deodorization tower combined odor treatment equipment for air emissions treatment. Bio-deodorization transformed substances with odors mainly through the physiological metabolism of microorganisms, enabling the effective decomposition and elimination of target pollutants, thereby significantly reducing air emissions.
Sichuan Guangda	Equipment replacement	During the Year, Sichuan Guangda augmented its hazardous waste temporary storage with an air emissions treatment facility. By utilizing a method combining alkaline wash spray, dehumidification, and activated carbon adsorption for air emissions treatment before emission, the effectiveness of air emissions treatment was obviously improved.
Livzon Hecheng	Equipment replacement	During the Year, Livzon Hecheng added a new Regenerative Thermal Oxidizer (RTO), which substantially increased the efficiency of VOCs treatment, reducing VOC emission concentration by over 85% compared with previous levels.
	Equipment replacement	During the Year, Livzon Hecheng replaced an 8-steam-ton ultra-low nitrogen natural gas boiler, achieving an 80% reduction in nitrogen oxide emission concentration.
	Equipment replacement	During the Year, Livzon Hecheng added liquid nitrogen cryogenic treatment and recovery equipment for the air emissions from the refining workshop. The cold energy of liquid nitrogen within the factory area can be utilized to condense and recover acetone and ethanol. The program is under implementation, and upon completion, it is expected to recover 140 tonnes of acetone and ethanol annually. This enables reduction in air emissions while increasing the solvent recovery rate.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.2 Wastewater management

Livzon strictly abides by the requirements of relevant laws and regulations such as the Water Pollution Prevention and Control Law of the PRC and the Discharge Standard of Water Pollutants for Pharmaceutical Industry Fermentation Products Category. The Company has formulated the Procedures for Wastewater Management as the guideline of wastewater management for the whole Group. In addition, taking into account their own actual conditions, each manufacturing enterprise of the Group has formulated and implemented the "Three-waste" and Noise Management System, the Wastewater Discharge Management System and other specialized wastewater management systems to continuously strengthen wastewater management, ensuring that wastewater is discharged after reaching the standards, continuously improving the proportion of reuse of wastewater, and reducing fresh water consumption.

Each manufacturing enterprise of the Group has designated a specific responsible department for wastewater management. These responsible departments analyze the types, discharge concentrations, discharge limits and other information of wastewater pollutants produced by each manufacturing enterprise and lead the formulation of effective wastewater management measures, taking into account the Company's wastewater management policies.

We operate the wastewater treatment systems in strict accordance with their technological procedures. We conduct daily inspections of each treatment step at the wastewater stations, continuously strengthen communication between the wastewater treatment departments and the production departments, promptly understand and grasp the operation status of each step, and analyze peak times and flows for wastewater generation. In addition, we regularly inspect the tightness of drainage pipes, the degree of wear and tear of wastewater disposal equipment, wastewater monitoring equipment, and other hardware to ensure the stability and efficiency of the wastewater treatment systems. At the same time, we regularly train operators of the wastewater treatment systems and the wastewater stations to enhance the management awareness and professional skills of the relevant personnel, ensuring orderly implementation of wastewater management work.

Furthermore, all of our key pollutant discharge subsidiaries have installed on-line wastewater monitoring instruments at the discharge outlets of wastewater, connecting the on-line systems with government supervising authorities to realize real-time monitoring and share the discharge data of processed wastewater such as COD (Chemical Oxygen Demand), ammonia nitrogen, total phosphorus, total nitrogen, pH, etc., so as to monitor on a dynamic basis that wastewater is discharged after reaching the standards. Additionally, each manufacturing enterprise of the Group actively cooperates with local bureaus of ecology and environment in the investigation of the implementation of pollutant discharge permits, and regularly monitors discharged wastewater according to the monitoring frequencies required by these permits. We also engage third-party testing agencies to test the wastewater treatment performance to verify the effectiveness of our wastewater management.

Livzon's wastewater and major water pollutants (i.e. COD and ammonia nitrogen) discharge data for the Year are detailed in Section 12.2 of the Report.

To reduce the wastewater discharge during the operation and reduce the discharge of pollutants in wastewater, we conduct wastewater treatment improvement programs across all operations of the Group every year. The Group continuously refines daily management, upgrades wastewater treatment techniques, updates and maintains wastewater treatment facilities, and eliminates leakage in the production process, ensuring that wastewater treatment facilities are operating normally and stably, and improving the efficiency of wastewater treatment. At the same time, we keep tracking the operation and treatment effect of the wastewater treatment improvement programs to ensure the effective implementation of discharge reduction and treatment of wastewater.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.2 Wastewater management *(continued)*

Major Wastewater Treatment Improvement Programs

Company name	Type of wastewater treatment improvement program	Program description
Fuzhou Fuxing	Equipment replacement	During the Year, in response to sludge blockages in the aeration pipes of the wastewater treatment system that resulted in suboptimal aeration, Fuzhou Fuxing replaced the aeration pipes with microporous aeration discs, thereby improving the capability and stability of wastewater disposal.
Xinbeijiang Pharma	Equipment replacement	During the Year, Xinbeijiang Pharma revamped the pretreatment pipelines of the wastewater station, dismantling the old pipelines, redesigning, and laying new ones. After the revamp, instances of wastewater leakage and dripping were effectively reduced.
Gutian Fuxing	Equipment replacement	During the Year, Gutian Fuxing constructed a new facility for membrane treatment of high ammonia-nitrogen wastewater, which enabled the pretreatment of high ammonia-nitrogen wastewater. This avoided the decline in wastewater treatment efficiency of the wastewater treatment facility due to high-concentration wastewater impact, ensuring the efficient and stable operation of the wastewater treatment facility.
Livzon Hecheng	Technological upgrade	During the Year, Livzon Hecheng modified the Cyclic Activated Sludge System (CASS) process in its wastewater treatment process into the Membrane Bioreactor (MBR) process. Owing to the efficient membrane separation effect of the MBR technology, the wastewater treatment system could reduce the suspended solids and turbidity in wastewater to nearly zero. It also extended the wastewater treatment retention time by 30%, prolonging the hydraulic retention time (HRT) of difficult-to-degrade organic compounds in the system and significantly increasing the treatment efficiency of these compounds.
Pharmaceutical Factory	Technological upgrade	During the Year, Pharmaceutical Factory adopted an aeration design for installation of aerator heads, modifying the original aerator pipe apparatus in the O tank of the second-phase wastewater station into an aerator head apparatus. After the modification, the dissolved oxygen control in the front/rear segments of the O tank became more stable, ensuring that the final treated wastewater emissions met the standard requirements of the Emission Standards for Odor Pollutants.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.2 Wastewater management *(continued)*

Major Wastewater Treatment Improvement Programs *(continued)*

Company name	Type of wastewater treatment improvement program	Program description
Jiaozuo Hecheng	Technological upgrade	During the Year, Jiaozuo Hecheng added a pretreatment process for fluoride-containing wastewater. By adding potassium chloride, the concentration of fluoroborate in the wastewater was reduced, decreasing the emission of fluorides and thus mitigating the impact on the entire wastewater treatment system.
	Triethylamine recovery	During the Year, Jiaozuo Hecheng conducted a program to recover triethylamine raw materials, with an expected annual recovery of 157 tonnes of triethylamine at a utilization rate of 58%. This effectively reduced the discharge of COD and other wastewater pollutants and mitigated the environmental impact of production activities.
Limin Factory	Waste alcohol recycling	During the Year, Limin Factory, through the study of the Demonstration Report on the Comprehensive Utilization of Waste Alcohol, poured, according to standards, waste alcohol into the wastewater treatment station, where the waste alcohol was recycled as a supplementary carbon source, which improved the recycling rate of waste alcohol.
Ningxia Pharma	Wastewater recycling	During the Year, Ningxia Pharma recycled a portion of the wastewater discharged from its wastewater treatment station. Under the prerequisite of meeting wastewater treatment standards, the use of tap water was substituted with wastewater for diluting and preparing the reagents required for wastewater treatment, which conserved approximately 40 tonnes of tap water daily.
	Wastewater recycling	During the Year, Ningxia Pharma added nitrogen, phosphorus, and potassium elements to the high-concentration waste liquid produced and made reconcentration, and then collaborated with organic fertilizer manufacturers for relevant experiments to use waste liquid for producing raw materials of organic fertilizers, which effectively improved the utilization rate of waste liquid.
Sichuan Guangda	Technological upgrade	For varying COD concentrations in wastewater, Sichuan Guangda established separate collection pools for high-concentration and low-concentration wastewater. By separately collecting high-concentration and low-concentration wastewater, this measure effectively mitigated the impact of high-concentration wastewater entering the wastewater system directly.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.3 Waste management

The Group strictly abides by the requirements of the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC, the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes, the Technical Specifications for Collection, Storage, Transportation of Hazardous Waste, the Administrative Measures for Hazardous Waste Transfer and other related laws and regulations. The Company has formulated the Procedures for Solid Waste Management and the "Three-Waste" and Noise Management System as the guideline of waste management for the whole Group. In addition, in combination with their own actual conditions, each manufacturing enterprise of the Group has formulated and implemented the Hazardous Waste Management System and other specialized management system for waste. Meanwhile, each manufacturing enterprise of the Group has established a responsible department for the prevention of environmental pollution from solid waste. These departments are responsible for overseeing waste generation, disposal, transfer, and other processes to make sure all waste is appropriately disposed of.

Livzon continuously enhances standardized management and compliance disposal of waste, avoiding causing pollution to soil and surrounding environments:

- For domestic waste, it is classified and collected in strict accordance with regulations on domestic waste classification and entrusted to qualified third parties for disposal;

- For general industrial solid waste, dedicated collection points are set up. Waste that is worth recycling is recycled, while waste that is not worth recycling is treated by an entrusted qualified third party;

- For hazardous waste, hazardous waste storage warehouses are constructed, staffed with professionals to manage and maintain records. Also, video surveillance devices and blockage facilities are installed around the warehouses to deter unauthorized access. Furthermore, to ensure the legal and compliant disposal of hazardous waste, we will make prompt filing and declaration on the national hazardous waste management platform and entrust disposal to a qualified third party.

Livzon's waste (including non-hazardous waste and hazardous waste) disposal data for the Year are detailed in Section 12.2 of the Report.

To reduce the waste discharge during the operation, we conduct waste management improvement programs across all operations of the Group every year. We actively explore applicable technologies to improve the comprehensive utilization rate of waste, classify waste to increase treatment efficiency, improve techniques and equipment of waste disposal, and actively promote the reduction, resourcefulness and harmlessness of waste. At the same time, we reduce the waste generation from the source through various measures such as improving production processes, adjusting product structure and conducting cleaner production. We keep tracking the operation and treatment effect of the waste management improvement programs to ensure the effective implementation of waste discharge reduction.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.3 Waste management *(continued)*

Major Waste Management Improvement Programs

- **Ningxia Pharma: waste recycling program**

  During the Year, through experimental collaboration with a third party, Ningxia Pharma completed experiments to reuse boiler slag and sludge as raw building materials, thus attributing reuse value to boiler slag and sludge. This program not only reduced the cost of waste disposal for Ningxia Pharma but also significantly lessened the environmental impact of waste disposal.

- **Fuzhou Fuxing: program of technology R&D on fungi residue reduction and recycling**

  In 2021, Fuzhou Fuxing carried out Enterprise-University-Research Institute collaboration with South China University of Technology to work on the program of technology R&D on fungi residue reduction and recycling. By improving flocculants and adding cryogenic drying equipment, Fuzhou Fuxing achieved stable control of the fungi residue reduction per unit of product above 60%. In 2023, this program operated stably, saving disposal costs of over RMB1 million and achieving its expected outcomes.

- **Fuzhou Fuxing: program to improve filter press process for hazardous waste disposal**

  In 2022, Fuzhou Fuxing optimized the flocculant formula in the filter press process for hazardous waste disposal and also added low-temperature drying facilities, reducing solid waste by over 60% more than expected, saving about RMB1 million in disposal costs. As at the end of the Reporting Period, this program is currently under implementation.

- **Gutian Fuxing: program to upgrade and modify sludge press system**

  Since the implementation of upgrade and modification programs in 2021, this program has been operating stably, reducing the annual moisture content of sludge produced from 85% to 60%. This program effectively reduced the sludge output, preventing the sludge from dripping or leaking during transportation due to its high water content.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.4 Noise management

The Company has formulated the Procedures for Noise Emission Management and the "Three-waste" and Noise Management System as the guideline of noise management for the whole Group. In addition, in combination with their own actual conditions, each manufacturing enterprise has formulated and implemented the Noise Pollution Prevention and Control Procedures and other noise management systems.

All manufacturing enterprises of the Group carry out regular monitoring of noise inside the factory to ensure that noise at day/night is lower than the emission limit value in the Emission Standard for Industrial Enterprises Noise at Boundary. We continuously carry out noise management work to reduce the noise pollution from the Group's production and operation process and improve the environmental quality.

We approach noise management from three aspects: the source of noise, its transmission path, and the receivers:

- For the source of noise, during procurement, we include the noise impact of equipment in our procurement assessment, giving precedence to low-noise equipment and production processes. We phase out or replace outdated high-noise equipment and, through various means such as constructing enclosed production spaces, mitigate noise pollution at its source.

- For transmission paths, we actively install soundproofing and sound-absorbent materials and devices to block the transmission of noise to the greatest extent possible.

- For noise receivers, who are unavoidably exposed to noise, such as production line workers, we provide them with noise protection devices free of charge. By conducting training on noise protection, we require proper use with strict management, and pay attention to and protect employees' occupational health by means of conducting regular occupational health check-ups, etc., to minimize the adverse effects of noise.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.4 Noise management *(continued)*

Case: Noise Management Improvement Measures

Xinbeijiang Pharma

- Outdoor equipment that produced significant production noise was enclosed with sound-absorbing cotton to effectively block the noise from mechanical vapor recompression (MVR) operations from spreading outside, thus reducing noise inside the factory.
- Soundproof glazed windows were installed in the mixing floors of fermentation workshops to prevent the noise from fermentor agitation from being transmitted outside.
- The original noisy Roots blowers were replaced with new, low-noise, energy-saving magnetic levitation blowers to effectively reduce noise production.

Limin Factory

- Noise reduction modifications were made to the rear zone and sterilization cabinets in the sterilization room of the large volume injection workshop. Plans are in place to extend soundproofing panels from their current position to the ceiling around the sterilization cabinets in the sterilization room, reducing indoor noise emissions with an expected noise reduction to below 85 dB.

Shanghai Livzon Biotech

- Low-speed mixers were used, and noise-reducing bolts were added to noisy equipment, such as pneumatic pumps, to reduce noise production.

Sichuan Guangda

- In the new factory area, noisy equipment and machine rooms, such as compressor rooms and chiller units, were centrally located in the basement, which effectively reduced noise around the plant.

Fuzhou Fuxing

- Noise reduction modifications were made to the original fermentation direct-drive mixing motors, converting them to direct-drive water-cooled energy-saving motors with a supporting automatic control system. After observing the operation for an extended period, the noise from equipment operation decreased significantly.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.5 Reducing environmental impact

When heavy pollution weather warnings occur, Livzon proactively cooperates with requirements of local governments to reduce production volume, so as to reduce discharge of pollutants such as VOCs, nitrogen oxides, particulate matter and sulphur dioxide, and to minimize the impact of corporate operations on the environment as much as possible. For details of emission reduction scheme, please see below:

- In response to yellow warning of heavy pollution weather, the running time of boilers shall be cut by 30%;
- In response to orange warning of heavy pollution weather, the running time of boilers shall be cut by 50%;
- In response to red warning of heavy pollution weather, the running time of boilers shall be cut by 70%.

Due to the excellent environmental management performances of the Group, Xinbeijiang Pharma is rated as a VOC key regulatory Class-A corporate, which can carry out autonomous emission reduction in heavy pollution weathers. Jiaozuo Hecheng is rated as a Class-B corporate in key industry performance rating under heavy pollution weather in Henan Province, which is not required to reduce production volume in yellow warning and is only required to conduct appropriate emission reduction in orange or above warnings of heavy pollution weather according to the requirement of heavy pollution weather control.

10.4 RESOURCE USE MANAGEMENT

Livzon incorporates the concept of sustainable development into the entire production and operation process, continuously strengthens resource use management, and practices the concept of green development. We strictly comply with the Energy Conservation Law of the PRC, the Water Law of the PRC, the Circular Economy Promotion Law of the PRC and other relevant laws and regulations, and have established an energy management system.

The Company has formulated the Procedures for Energy Management, the Procedures for Resources Management and the Energy Management System as the guideline of resource use management for the whole Group, and requires all operations of the Group to strictly abide by them. In addition, in combination of their own actual conditions, each manufacturing enterprise of the Group has formulated and implemented the Resource Management System and the Energy Conservation and Emission Reduction Management System and other resource use management systems, and implements a standardized and systematic resource use management and vigorously promotes the improvement of resource utilization efficiency.

At the same time, the Company has set out targets for water and electricity conservation for the Group in its Environmental Management Targets for 2021-2025. Through measures such as management improvement and technological upgrading, we continue to optimize how to use resources, and regularly review the achievement of targets, so as to improve the overall efficiency of resource use and contribute to the fulfillment of targets.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management

Livzon is committed to effectively managing water resources and addressing water resource risks throughout its operations.

We implement a stringent management system, keep strengthening the awareness of preventing water resource risks internally, and conduct water resources management improvement programs across all operations of the Group to reduce water consumption and to continuously improve the Group-wide capability to address water resource risks.

During the Reporting Period, Livzon did not encounter any issue in sourcing water that is fit for purpose. Livzon's water consumption data for the Year are detailed in Section 12.2 of the Report.

Water risk assessment

In order to identify the potential risks associated with access to water resource at all operations of the Group, all manufacturing enterprises of the Group conduct water risk assessment at least once a year.

We annually set reasonable water conservation targets and countermeasures based on the risk assessment results, implement various water resource management measures, and carry out daily monitoring to ensure the effective use and management of water resources. At the same time, we report to the ESG Committee under the Board on a regular basis on the results of water risk assessment and the implementation of improvement measures.

During the Year, to ensure the safety and sustainability of the Group's water resource management, we conducted a comprehensive water risk assessment for all the manufacturing enterprises of the Group by utilizing Aqueduct[1], a water stress analysis tool, of the World Resources Institute (WRI), from 17 dimensions. The specific dimensions of the assessment are as follows:

Livzon's Water Risk Assessment Dimensions		
Overall water risk	Physical risks-quantity	Water stress
Water depletion	Interannual variability	Seasonal variability
Groundwater table decline	Riverine flood risk	Coastal flood risk
Drought risk	Physical risks-quality	Untreated connected wastewater
Coastal eutrophication potential	Regulatory and reputational risk	Unimproved/no drinking water
Unimproved/no sanitation	Peak country ESG risk index	

[1] Aqueduct, a water risk atlas tool developed primarily by the World Resources Institute, aids enterprises, investors, and government departments in understanding current and future water risks in various regions through the use of open-source data.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management *(continued)*

Water risk assessment *(continued)*

Based on the overall water risk scores for each operation from the WRI's water stress analysis tool, we classified the water risks of each operation into five levels: low, medium-low, medium-high, high, and very high. The water risk assessment results for the operations of the Group's manufacturing enterprises in 2023 are as follows:

Water risk level	Low	Medium-low	Medium-high	High	Very high
Number of operations	2	2	3	2	4

Water Resource Management Measures

The Group has developed a series of management measures to address potential risks and impacts related to water resources, covering five aspects: water security, water quality control, contingency plan, internal and external monitoring, and training and promotion.

➢ Water security

- Strictly controlling water usage and arranging production reasonably to ensure the proper functioning of water intake facilities for self-contained well (e.g. deep well pumps) to secure production water.
- Prioritizing the use of tap water, making reasonable use of groundwater, and trying to use water from the South-North Water Transfer Project.
- Optimizing the water supply system to save water while securing production and operation. For example, reorganizing and redistributing an unreasonably designed water supply pipe network to adjust the flow distribution appropriately.

➢ Water quality control

- Strengthening regular monitoring to ensure the normal functioning of the water purification system and guarantee that the quality of the production water meets the standards. For example, conducting regular inspections, maintenance, and care of the water supply system.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management *(continued)*

Water Resource Management Measures *(continued)*

➢ Contingency plan

- Establishing contingency plans for natural disasters or extreme weather, such as floods, droughts, and high temperatures, using meteorological warnings to receive information in advance, and deploying preventive measures and allocating emergency supplies (e.g., clearing water channels, setting up water barriers, and providing waterproof quick-drying cement).
- Establishing contingency plans for situations such as abnormal water quality and insufficient water supply.
- Equipping water storage tanks and emergency water tanks to prevent the risk of water outages and ensure production supplies.
- Ensuring emergency pools are kept water free through regular inspections and other means, maintaining sufficient buffer capacity for drainage in event of accidents, and ensuring that it plays its due role during special time periods.

➢ Internal and external monitoring

- Strengthening internal supervision and inspection. For example, conducting daily inspections of wastewater treatment and discharge within the factory area, and identifying and correcting hazards in a timely manner.
- Implementing water conservation supervision mechanism. For example, installing smart water meters to monitor and analyze water usage in real time and promptly identify issues of water wastage.
- Actively cooperating with regulatory authorities during their inspections and maintaining close communication with them, and strictly implementing wastewater discharge standards.
- Strengthening environmental information disclosure and communication with the public. For example, regularly commissioning third parties to conduct testing, and making the results public.
- Updating internal environmental protection systems in a timely manner and producing in accordance with the laws and regulations.

➢ Training and promotion

- Regularly conducting training on water resource management for employees.
- Promoting water conservation among employees through means such as promotional posters and water conservation signs.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management *(continued)*

Water Resource Management Measures *(continued)*

All manufacturing enterprises of the Group actively introduce and use advanced technologies/processes to conserve water and improve the efficiency of water resource use. We strengthen the maintenance of various water-consuming equipment and facilities, and, from the two aspects of water resource recycling and water consumption reduction, continuously invest in conducting various water conservation projects to reduce consumption of fresh water and enhance the reuse of water resources.

➢ Water resource recycling

All manufacturing enterprises of the Group actively conduct projects of reclaimed water and cooling water recycling to improve the utilization efficiency of water resources. Some highlight cases are as follows:

Fuzhou Fuxing: steam condensate recycling program
During the Year, Fuzhou Fuxing added steam condensate recycling equipment, using steam condensate as circulating water for replenishing cooling towers and as raw water for water purification. Every tonne of condensate recycled reduces the consumption of a tonne of drinking water. Implementation commenced, the program is expected to save 24,000 tonnes of water per year upon completion.
Jiaozuo Hecheng: steam condensate collection and recycling program
During the Year, Jiaozuo Hecheng conducted a program to collect and recycle steam condensate in workshops. Through an efficient steam condensate collection system, the thermal energy and water resources in steam condensate were recycled, achieving the targets of energy conservation, emission reduction, and resource recycling and reducing the withdrawal of fresh water. Implemented, the program saved about 3,000 tonnes of water per year.
Livzon Hecheng: utilization of storage tanks and pumps for reuse of water resources
During the Year, Livzon Hecheng installed storage tanks, heat exchangers, pumps, and pipelines. Water was returned to storage tanks during spray cooling, cooled through heat exchangers, and then pumped to the rooftop of the tank farm for cooling to improve the utilization rate of water resources. Implemented, the program saved about 9,000 tonnes of water per year.
Livzon Hecheng: program to install steam condensate return pipelines
During the Year, Livzon Hecheng installed pipelines to channel steam condensate back to the boilers' soft water tanks for use in the boilers. Implemented, the program saved about 12,000 tonnes of water per year.
Gutian Fuxing: program to recycle fermentation cooling water
During the Year, Gutian Fuxing planned to build an additional circulating cooling water system to ensure all cooling water can be recycled during winter and full-capacity production. To be implemented, the program is expected to save 200,000 tonnes of water per year upon completion.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management *(continued)*

Water Resource Management Measures *(continued)*

➢ Water resource recycling *(continued)*

Limin Factory: addition of a cooling water reuse device
During the Year, Limin Factory added a cooling water reuse device, successfully reducing the consumption of fresh water by 44,760 tonnes. The program was implemented. In addition, Limin Factory reused some treated and standard-compliant wastewater for irrigation of greenery for greening. About 2,400 tonnes of standard-compliant wastewater was used annually for irrigation of greenery, which effectively improved the utilization efficiency of water resources.
Sichuan Guangda: condensate recycling
During the Year, Sichuan Guangda planned to conduct technological upgrade for heat recycling of condensate produced by MVR (mechanical vapor recompression), which enables effective recovery of thermal energy and recycling of condensate. To be implemented, the program is expected to recycle 73,000 tonnes of condensate per year upon completion.

➢ Water consumption reduction

All manufacturing enterprises continuously develop and optimize water-efficient processes and equip themselves with water-efficient facilities to reduce the water consumption in daily production and operations. Some highlight cases are as follows:

Fuzhou Fuxing: establishment of a "drinking water metering non-revenue water (NRW) management system" platform
During the Year, Fuzhou Fuxing planned to establish a "drinking water metering NRW management system" as a digital management platform to replace the current management model of regular manual reading of mechanical water meters. By installing monitoring meters and transmitting real-time data remotely, abnormal water use is warned early, the causes of NRW are analyzed, and leakage points within the pipe network are quickly located to reduce the loss of water resources. Implementation commenced, the program is expected to control the NRW of the drinking water pipe network to within 10% upon completion.
Gutian Fuxing: installation of smart electronic water meters
During the Year, Gutian Fuxing installed electronic water meters and directly uploaded purified water measurements to the management platform to facilitate the monitoring and management of purified water. Implemented, the program reduced the loss of water resources by about 1% by analyzing the causes of NRW due to abnormal water use and quickly locating leakage points within the pipe network.
Pharmaceutical Factory: program for centralized supply of chilled water
During the Year, Pharmaceutical Factory conducted a program for centralized supply of chilled water. Implemented, the program connected the chilled water stations of the two buildings through a chilled water pipe network to achieve centralized supply of chilled water. It reduced the evaporation area of the cooling towers, thus lowering the amount of evaporation and decreasing the replenishment volume of cooling towers.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management *(continued)*

Water Resource Management Measures *(continued)*

➢ Water resource recycling *(continued)*

Pharmaceutical Factory: retrofitting of a cooling circulation device to the compressed air system
During the Year, Pharmaceutical Factory conducted a program to retrofit a secondary cooling circulation device. The retrofitted compressed air system is a closed system, where cooling water circulates through a tank for cooling, thereby effectively improving the quality of cooling water while reducing the loss of cooling water. Implemented, the program was accepted in 2023, and it reduced the consumption of cooling water by about 1,825 tonnes per year.
Ningxia Pharma: program to improve the production rate of RO (reverse osmosis) water
During the Year, Ningxia Pharma, based on the water usage data of workshops in 2022, conducted a program to improve the production rate of RO water. By increasing the temperature of RO inlet water, repeatedly cleaning the scaled RO equipment and other means, the program increased the production rate of RO water, thereby improving the utilization rate of tap water. Implemented, the program saved about 48,000 tonnes of tap water per year.
Pharmaceutical Factory: distilled water machine modification program
During the Year, to reduce the problem of scale clogging in coolers, decrease the discharge of chilled water, and extend the lifespan of the equipment, Pharmaceutical Factory modified the distilled water machine by adding a secondary water cooling device. By using the secondary water cooling device to exchange heat with the heat exchanger of the distilled water machine, the program reduced the problem of clogging in the heat exchanger of the distilled water machine. Implemented, the program reduced the discharge of chilled water by 500 L/h.
Shanghai Livzon Biotech: optimization of cleaning method for raw material containers
During the Year, Shanghai Livzon Biotech installed a small semi-automatic cleaning device in the idle space of the workshop, using tap water pressure to control the pneumatic angle seat valve through an automatic foot valve to achieve inverted flushing of raw material containers. Implemented, the program saved about 4,000 tonnes of cleaning water for raw material containers per year.
Pharmaceutical Factory: optimization of wet granulation process
During the Year, Pharmaceutical Factory changed one of its products from a wet granulation process to a direct mixing process. The change in process reduced the required equipment, thereby decreasing the amount of water and energy used in production process. The program was implemented.
Pharmaceutical Factory: addition of water-efficient capsule filling machine
During the Year, Pharmaceutical Factory replaced the CFM3000 capsule machine, which required drinking water as a vacuum medium in the capsule filling process, with the GKF2000 capsule filling machine that does not require drinking water in the filling process. Implemented, the program significantly reduced water usage during production.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management

Paying great attention to the conservation and consumption reduction of energy, Livzon has formulated and strictly implemented management systems such as the Procedures for Energy Management and the Procedures for Resources Management. We keep improving our internal energy management system, and conduct programs to reduce energy consumption and carbon emissions (e.g. reduction of greenhouse gas emissions, energy efficiency improvements, use of renewable sources, etc.) across all operations of the Group, continuously strengthening energy management and control.

In improving energy structure, we vigorously promote cleaner sources of energy across all operations of the Group, and assess the applicability of clean energy for all of our manufacturing enterprises. For example, we undertake the construction of solar photovoltaic projects for companies that meet the conditions, phase out outdated coal-fired boilers, and use energy-efficient and environmentally friendly natural gas or biomass fuel, aiming to increase the use of cleaner and renewable sources of energy.

In respect of improving energy efficiency and reducing energy consumption, we keep exploring the space for energy conservation and consumption reduction through management improvement and technological innovation. For example, in the selection of production varieties, we opt for varieties with high added value and low electricity consumption; we strive to reduce energy consumption through measures such as technological innovation, product structure adjustments, and equipment replacement, and implement targeted energy conservation improvements based on energy conservation diagnostic reports issued by professional energy conservation and emission reduction consulting companies, so as to improve the overall energy efficiency, reduce energy consumption, and reduce carbon emissions.

For high power-consuming manufacturing companies that cannot yet fully transition to new energy sources, we employ advanced monitoring systems to assess energy conservation potential, and perform measurement analysis and appraisal of electricity use. In accordance with the national Catalogue of Obsolete Mechanical and Electrical Equipment Eliminated due to High Energy Consumption, we conduct comprehensive inspections to eliminate obsolete equipment and use energy-efficient equipment to reduce energy consumption.

As at the end of the Reporting Period, the Company's subsidiaries Fuzhou Fuxing and Xinbeijiang Pharma had been certified to ISO 50001:2018/RB/T 114-2014 Energy Management System certification, and Livzon Hecheng had been certified to GB/T 23331-2020/RB/T 114-2014 Energy Management System certification.

Livzon's energy consumption and major greenhouse gas emissions data for the Year are detailed in Section 12.2 of the Report.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Some of Livzon's Implemented or Planned Energy Conservation and Carbon Emission Reduction Programs in 2023

Company name	Program type	Program description	Program effect
Livzon Hecheng	Equipment replacement	The original boilers were replaced. Compared with the original boilers, the new boilers are equipped with additional waste heat recycling units to reduce energy consumption through waste heat recovery.	Implemented, the program saved about 300,000 cubic meters of natural gas per year.
	Equipment replacement	Two sets of magnetic levitation blowers were added to replace the original Roots blowers. Compared with conventional blowers, the new magnetic levitation blowers are more energy efficient due to the elimination of transmission losses.	Implemented, the program saved about 210,000 kWh of electricity per year.
	Technological upgrade	The wastewater treatment process was upgraded from the Cyclic Activated Sludge System (CASS) to the Membrane Bioreactor (MBR) process to reduce the energy consumption of wastewater treatment.	Implementation commenced, the program is expected to save 700,000 kWh of electricity per year upon completion.
Gutian Fuxing	Equipment replacement	The construction for upgrade and modification of a 12-tonne/hour biomass-specific boiler and a tail gas treatment facility was completed, and they have been put into normal operation.	Implemented, the program saved about 1,000 tonnes of coal consumption per year.
	Equipment replacement	The original Roots blowers used for wastewater treatment were replaced with energy-efficient, low-noise air levitation blowers.	Implemented, the program saved about 300,000 kWh of electricity per year.
	Equipment replacement	An energy-saving improvement program of high-efficiency pumps in a circulating water system was conducted by purchasing and installing 5 energy-saving pumps.	Implemented, the program saved about 100,000 kWh of electricity per year.
	Technological upgrade	The leakage treatment of the steam traps was completed to reduce steam loss.	Implemented, the program saved 190 tonnes of steam per year.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Some of Livzon's Implemented or Planned Energy Conservation and Carbon Emission Reduction Programs in 2023 *(continued)*

Company name	Program type	Program description	Program effect
Xinbeijiang Pharma	Equipment replacement	The original Roots blowers were replaced with magnetic levitation blowers. Compared with conventional blowers, the new magnetic levitation blowers are more energy-efficient due to the absence of mechanical friction.	Implemented, the program saved about 120,000 kWh of electricity per year.
	Equipment replacement	The existing 8-tonne old boilers were replaced with new, low-nitrogen 3-tonne boilers to improve the utilization efficiency of natural gas and reduce its consumption.	Implemented, the program saved about 100,000 cubic meters of natural gas per year.
	Technological upgrade	The external cooling water circulation system in the power workshop refrigeration room will be thoroughly optimized by merging the two water supply lines of the original cooling circulation system into one. This will significantly lower the energy consumption of the circulating water pumps while meeting production needs.	To be implemented, the program is expected to save 980,000 kWh of electricity per year upon completion.
	Technological upgrade	A program to recycle the waste heat from the air compressors was conducted. Through the technological upgrade, the waste heat from the air compressors was used to heat the soft water in the boiler instead of the original steam heating method, thereby reducing steam and natural gas consumption.	Implemented, the program saved about 340,000 cubic meters of natural gas per year.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Some of Livzon's Implemented or Planned Energy Conservation and Carbon Emission Reduction Programs in 2023 *(continued)*

Company name	Program type	Program description	Program effect
Ningxia Pharma	Equipment replacement	The four conventional circulating water pumps in the fermentation workshop 103 were replaced with high-efficiency energy-saving pumps to achieve electricity saving. The program was funded and constructed by a third party.	Implemented, the program saved about 1,040,000 kWh of electricity per year.
	Technological upgrade	By installing additional waste heat recycling units, the heat generated by the operation of the air compressors was recovered and used to heat the heating water for the dormitories, office area, and hot water system in workshop 201 instead of steam, which was originally used to heat the heating water and hot water system in the workshop. The program was funded and constructed by a third party.	The heating water part of the program was implemented in the dormitories and office area, and it saved about 5,000 tonnes of steam per year; The hot water system part of the program is to be implemented. It is expected to save about 6,000 tonnes of steam per year upon completion.
	Equipment replacement	A new efficient air compressor with an airflow of 600 m^3/min and a power of ≤1,800 kW will be added to replace the two existing air compressors with a total airflow of 600 m^3/min and a power of 2,200 kW, achieving an hourly electricity saving of about 400 kWh. The program will be funded and constructed by a third party.	To be implemented, the program is expected to save 3,168,000 kWh of electricity per year upon completion.
Pharmaceutical Factory	Technological upgrade	By modifying the compressors, the compression heat is recycled in the form of hot water. The recycled heat is used in the hot water circulation system instead of steam, which is originally used to heat the hot water circulation. The energy recovery efficiency can reach up to 90%.	To be implemented, the program is expected to save 210 tonnes of steam per year upon completion.
	Technological upgrade	An efficient cooling station control system was deployed. On the premise of ensuring product quality and production safety, the system scientifically guided the reasonable allocation of resources to meet the multifaceted management needs of the cooling station system and optimize the energy efficiency of the central air-conditioning system.	Implemented, the program saved about 900,000 kWh of electricity per year.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Some of Livzon's Implemented or Planned Energy Conservation and Carbon Emission Reduction Programs in 2023 *(continued)*

Company name	Program type	Program description	Program effect
Sichuan Guangda	Technological upgrade	The utility system will be deeply optimized. Through real-time detection and timely feedback of ambient temperature, humidity, pressure difference and equipment operating status, the system can calculate energy consumption data to control the start and stop of water chilling units, air compressors and other equipment and adjust the motor frequency.	To be implemented, the program is expected to save 390,973 kWh of electricity per year upon completion.
Fuzhou Fuxing	Technological upgrade	The three asynchronous motors and inverters originally operating in the fermentation tanks were modified and upgraded into permanent magnet vertical direct-drive motors and supporting automatic control system. The electricity saving rate can reach about 16%.	Implementation commenced, the program is expected to save 56,500 kWh of electricity per year upon completion.
	Equipment replacement	Six energy-intensive and high-power mixing motors in the fermentation workshop and four ceramic membrane motors in the refining section were upgraded for energy saving and replaced with sophisticated and advanced permanent magnet inverter energy-saving motors. The electricity saving rate can reach over 15%, marking significant electricity saving effect.	Implementation commenced, the program is expected to save 500,000 kWh of electricity per year upon completion.
	Equipment replacement	Eight energy-intensive, inefficient water pump devices were replaced. High-efficiency energy-saving pumps and energy-saving motors were selected reasonably based on actual operating conditions. The electricity saving rate can reach over 20%.	Implementation commenced, the program is expected to save 1,000,000 kWh of electricity per year upon completion.
Livzon Diagnostics	Technological upgrade	An energy-saving improvement program was implemented for the central air conditioning. By modifying and adjusting the inverters, fresh air system, etc., the operation mode of the air conditioning was optimized to save energy. The electricity saving rate can reach over 30%.	Implementation commenced, the program is expected to save 750,000 kWh of electricity per year upon completion.
	Technological upgrade	An optimization and modification program was implemented for the main unit of the cold storage to reduce equipment energy consumption.	Implemented, the program saved about 18,000 kWh of electricity per year.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Some of Livzon's Implemented or Planned Energy Conservation and Carbon Emission Reduction Programs in 2023 *(continued)*

Company name	Program type	Program description	Program effect
Jiaozuo Hecheng	Equipment replacement	The cooling water tower packing in the circulating cooling water tower packing workshop was replaced to reduce equipment running time and improve the cooling effect of the equipment.	Implemented, the program saved about 114,000 kWh of electricity per year.
	Equipment replacement	The lighting switches were replaced with acousto-optic switches. In public areas, the lighting was shut off normally during the day and sound-controlled at night, thereby shortening nighttime lighting duration.	Implemented, the program saved about 500 kWh of electricity per year.
	Equipment replacement	The steam pipes were provided with the latest steam traps to replace the old traps to avoid additional steam consumption due to steam leakage and reduce usage of steam.	Implemented, the program saved about 85 tonnes of steam per year.
	Equipment replacement	The existing acetonitrile distillation column was replaced to improve the distillation effect and reduce steam usage.	Implemented, the program saved about 20 tonnes of steam per year.
	Equipment replacement	The vertical vacuum pumps will be replaced with low-energy screw vacuum pumps to reduce energy consumption while decreasing maintenance frequency and enhancing the stability of equipment operation.	To be implemented, the program is expected to save 2,500 kWh of electricity per year upon completion.
Limin Factory	Technological upgrade	Two sets of online remote automatic data monitoring systems were refitted using old equipment and facilities. The pipes leading to the steam headers from the boilers were separated to eliminate the issue of inaccurate measurement readings from signal interference due to steam counterflow between the two boilers. It ensured the accuracy of steam flow data collected, thereby reducing additional steam consumption.	Implemented, the program saved 1,242 tonnes of steam per year.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Livzon's Implemented or Planned Key Clean Energy Programs as at the End of 2023

Company name	Program name	Program input *(RMB'0,000)*	Program description	Description of effects
Gutian Fuxing	Photovoltaic power generation	343	The program used monocrystalline silicon solar cells as photovoltaic conversion devices, while the corresponding access system was configured according to the construction site plan to achieve grid-connected operation. The program was funded and constructed by a third party who gave Gutian Fuxing electricity concessions, and all electricity was generated for its own use.	Implemented, the program generated about 838,500 kWh of electricity per year.
Xinbeijiang Pharma	Photovoltaic power generation	130	Government subsidies for photovoltaic projects were used to promote the construction of photovoltaic power generation systems at the new plant, with an installation area of approximately 3,700 square meters and a total power generation capacity of approximately 323.4 kWp. The program was funded and constructed by a third party who gave Xinbeijiang Pharma electricity concessions, and all electricity was generated for its own use.	Implemented, the program generated about 850,000 kWh of electricity per year.
		60	Shijiao New Factory plans to add photovoltaic power generation systems on the roofs of the carport and canteen, with a photovoltaic area of about 1,500 square meters. The program will be funded and constructed by a third party who will give Shijiao New Factory electricity concessions. All electricity will be generated for its own use, with any surplus being supplied to the power grid.	To be implemented, the program is expected to generate 480,000 kWh of electricity per year upon completion.
Limin Factory	Photovoltaic power generation	900	The program utilized solar energy and used special materials such as crystalline silicon panels, inverters and other electronic components to form photovoltaic power generation systems that are connected and transmit power to the grid. The program was funded and constructed by a third party who gave Limin Factory electricity concessions.	Implementation commenced, the program is expected to generate 1,790,000 kWh of electricity per year upon completion.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Livzon's Implemented or Planned Key Clean Energy Programs as at the End of 2023 *(continued)*

Company name	Program name	Program input *(RMB'0,000)*	Program description	Description of effects
Pharmaceutical Factory	Photovoltaic power generation	1,461	Taking into account the factory conditions, photovoltaic power generation systems were installed on the roof at its own expense. With a total installed capacity of approximately 1 MW, the program used monocrystalline silicon solar cells as photovoltaic conversion devices while the corresponding access system was configured according to the site configuration. All electricity generated was free for its own use.	Implemented, the program generated about 600,000 kWh of electricity per year.
		1,900	Photovoltaic power generation systems were installed. The program used monocrystalline silicon solar cells as photovoltaic conversion devices while the corresponding access system was configured to achieve grid-connected operation. The program was funded and constructed by a third party who gave Pharmaceutical Factory electricity concessions.	Implementation commenced, the program is expected to generate 3,600,000 kWh of electricity per year upon completion.
Shanghai Livzon	Photovoltaic power generation	/	Taking into account the factory's rooftop conditions, photovoltaic power generation systems will be installed on the roof of the new warehouse, with a total roof area of about 1,700 square meters. The program will be funded and constructed by a third party who will give Shanghai Livzon electricity concessions.	To be implemented, the program is expected to generate 170,000 kWh of electricity per year upon completion.
Fuzhou Fuxing	Photovoltaic power generation	200	The program used monocrystalline silicon solar cells as photovoltaic conversion devices, while the corresponding access system was configured according to the construction site plan to achieve grid-connected operation. The program was funded and constructed by a third party who gave Fuzhou Fuxing electricity concessions.	Implemented, the program generated about 450,000 kWh of electricity per year.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Livzon's Implemented or Planned Key Clean Energy Programs as at the End of 2023 *(continued)*

Company name	Program name	Program input *(RMB'0,000)*	Program description	Description of effects
Livzon Diagnostics	Photovoltaic power generation	128	It is planned to build a photovoltaic power generation system with a power generation capacity of 300 kWp. Monocrystalline silicon solar cells are used as photoelectric conversion devices, while the corresponding access system is configured to achieve grid-connected operation. The program will be funded and constructed by a third party who will give Livzon Diagnostics electricity concessions.	Under investigation, the program is expected to generate 350,000 kWh of electricity per year upon completion.
Jiaozuo Hecheng	Photovoltaic power generation	/	It is planned to build a photovoltaic power generation system at the carport of the new factory, with a power generation capacity of 110 kWp. The program will be funded and constructed by a third party who will give Jiaozuo Hecheng electricity concessions.	Under investigation, the program is expected to generate 100,000 kWh of electricity per year upon completion.
Livzon Hecheng	Photovoltaic power generation	250	The program uses monocrystalline silicon solar cells as photovoltaic conversion devices. Photovoltaic power generation systems are installed atop the carport and warehouse roofs, with an installation area of approximately 2,650 square meters and a total power generation capacity of approximately 475 kWp. The program will be funded and constructed by a third party who will give Livzon Hecheng electricity concessions, and all electricity will be generated for its own use.	To be implemented, the program is expected to generate 490,000 kWh of electricity per year upon completion.

10.4.3 Material management

True to the principle of minimizing resource consumption and pollutant discharge at source, Livzon continuously optimizes the use of materials. In terms of product manufacturing, we promote the recycling of industrial materials through technological upgrade to continuously improve the utilization of production resources. At the same time, we continuously optimize our product packaging design, make active efforts such as recycling of green packaging boxes, and reduce the use of packaging materials provided that market demand and production requirements are met, thereby reducing the consumption of resources while improving economic benefits.

Livzon's data of packaging material use for the Year are detailed in Section 12.2 of the Report.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.3 Material management *(continued)*

Case: Material management improvement programs

Jiaozuo Hecheng: packaging change from paper tubes to cartons

Jiaozuo Hecheng has changed the packaging form of its products. It no longer uses paper tubes, but uses only cartons for packaging. A batch of products of the same volume is 2 kg lighter when packaged in cartons than in paper tubes, resulting in an expected annual reduction of 40 tonnes in packaging weight. By reducing the amount of paper packaging, it indirectly reduces the number of trees used for paper production, promoting the principles of sustainable development.

Jiaozuo Hecheng: triethylamine solvent recycling

To improve resource utilization and mitigate environmental pollution, Jiaozuo Hecheng conducted a program to recycle triethylamine raw materials in 2023. Upon completion, the program is expected to recycle 157 tonnes of triethylamine per year, achieving a recycling rate of 58%. Triethylamine is an important raw material for Jiaozuo Hecheng; the program effectively conserves raw material usage and makes a positive contribution to environmental protection.

Fuzhou Fuxing: change of raw material packaging specification

Isopropanol, a key raw material for API manufacturing, was packaged in 25 kg/barrel. In 2023, Fuzhou Fuxing negotiated with its suppliers to optimize the specifications of the packing barrels. After conducting stability tests and confirming that the change in packaging specifications would not impact product quality, Fuzhou Fuxing made small-scale purchases for production validation. After final confirmation of stable product quality and compliance with production requirements, Fuzhou Fuxing officially determined to change from 25 kg/barrel to 160 kg/barrel for isopropanol, thereby reducing the overall consumption of packaging materials for isopropanol.

10.5 ADDRESSING CLIMATE CHANGE

Climate change is one of the major risks facing the world today. With constant impacts on human health, it also affects business operations. As a pharmaceutical company, Livzon upholds the mission of "prioritizing the quality of life of patients" and actively assumes its social responsibilities. We mitigate global climate change by reducing greenhouse gas emissions, and are also committed to providing solutions that address healthcare demands caused by climate change, in order to minimize the impact of climate change on the environment and human health.

During the Year, we managed and disclosed climate change impacts in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), and completed the 2023 CDP Climate Change Questionnaire. Our future plan is to continue to provide detailed disclosures through the 2024 CDP Climate Change Questionnaire.

10.5.1 Governance

Attaching great importance to climate-related risks and opportunities, Livzon has established a governance structure and a working mechanism for climate-related matters, where managing climate-related risks is integrated into the Group's overall risk management.

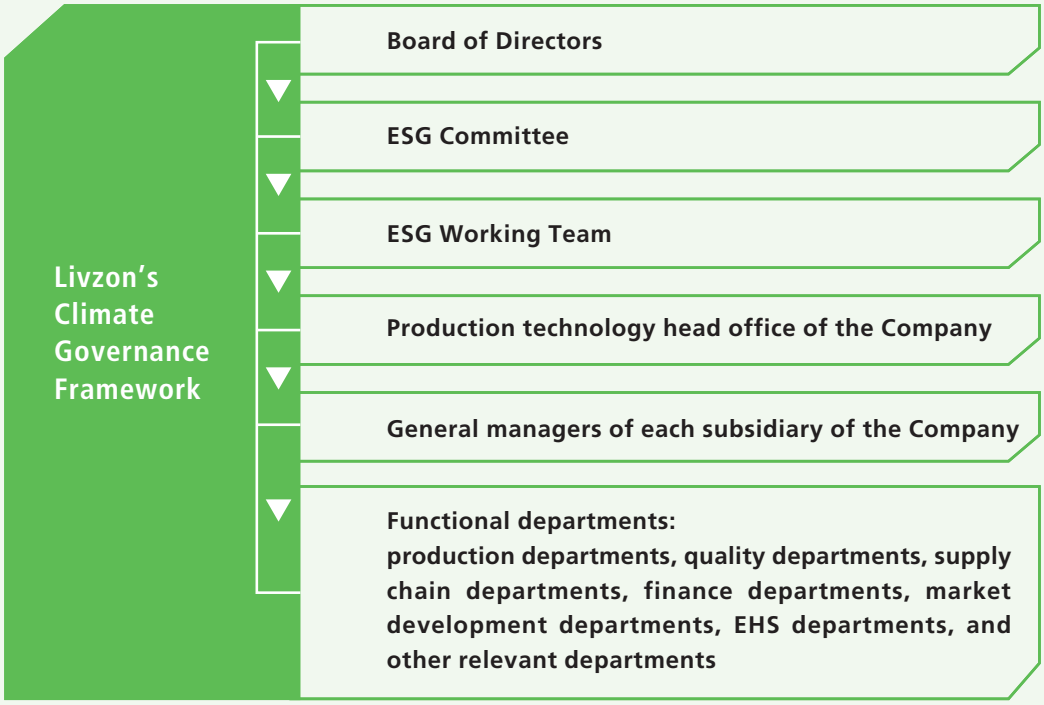
The ESG Committee under the Company's Board consists of five directors of the Company (including the chairman, 1 executive director & president of the Company, and 3 independent directors). It assumes a leadership role in managing climate change issues and reports to the Board at least once a year. The ESG Committee is responsible for overseeing the management of climate-related issues, identifying, assessing, and managing risks and opportunities related to climate change, developing and overseeing the implementation of climate-related targets and response plans, while ensuring these issues are incorporated into the Company's long-term business strategy.

As the executive body of the ESG Committee, the ESG Working Team is responsible for collaborating with each department, unit and subsidiary of the Company to fully implement the management of climate change issues, regularly sorting out and summarizing the progress and results of the Group's related work, and reporting to the ESG Committee.

The production technology head office and the general managers of each subsidiary of the Company are responsible for managing and monitoring the implementation of climate-related work. The general managers of each subsidiary advance and supervise the joint implementation of climate-related work by the functional departments of their respective enterprises, and ensure effective communication and action at the implementation level.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.1 Governance *(continued)*



10.5.2 Strategy

Livzon is committed to fully integrating climate-related physical risks and transition risks into the Group's ESG risk management system and to resolutely seizing the opportunities presented by climate change. We conduct a detailed analysis of the financial impact of related risks and opportunities, and ensure that climate change issues are incorporated into the strategy-making considerations of the Company.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

During the Reporting Period, the Group conducted a comprehensive assessment of the climate change risks (including physical risks and transition risks) and opportunities facing its business with full reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Meanwhile, the Group conducted climate-related scenario analysis to assess the adaptability of various aspects of its value chain to climate scenarios, the materiality of climate-related risks and opportunities, and the impact on the Group of potential risks and opportunities of transitioning to a lower emissions future. For the risks and opportunities that significantly impact the Group, we developed and implemented specific plans to adapt to both physical and transition climate risks as well as climate opportunities.

The Shared Socioeconomic Pathways (SSPs) are a robust tool introduced by the Intergovernmental Panel on Climate Change (IPCC) in 2010 to describe global socioeconomic development scenarios. Developed from the Representative Concentration Pathways (RCPs) scenarios, SSPs are used to quantitatively describe the relationship between climate change and socioeconomic development pathways, reflecting the challenges of climate change adaptation and mitigation that society will face in the future.

The Group's scenario analysis includes an optimistic climate change scenario, where the temperature rise stays below 2°C – SSP 1-2.6 (a 1.8°C temperature rise above pre-industrial levels by 2100), and a pessimistic climate change scenario, where the temperature rise exceeds 4°C – SSP 5-8.5 (a 4.5°C temperature rise above pre-industrial levels by 2100).

Low-emission scenario: SSP 1-2.6

We have selected the climate scenario of SSP 1-2.6. This scenario envisions a sustainable society dominated by clean energy, where countries recognize the severity of climate change, intensify climate actions, and enact stricter climate policies to reduce carbon emissions and keep global warming well below 2°C. Meanwhile, continuous technological advancements and increased awareness foster a global transition towards lower emissions and low energy consumption, and also towards climate-friendly production and consumption. Global carbon dioxide emissions are significantly reduced, albeit gradually, with net-zero emissions projected to be achieved after 2050. In this scenario, the temperature increase of within 1.8°C is expected to be achieved by 2055, the year of our focus, a time span that aligns with our goal of achieving operational carbon neutrality by 2055.

Currently, we are not impacted by carbon emissions pricing, but a significant increase in the price of carbon emissions under this scenario may influence our expenditures. The results of this scenario analysis have been integrated into our climate strategy. While improving our energy efficiency comprehensively, we will continue to increase the proportion of renewable energy usage, thereby reducing carbon emissions.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

High-emission scenario: SSP 5-8.5

In addition, we have decided to consider the SSP 5-8.5 scenario, which follows a "business as usual" emission pathway, focuses on the climate impacts of physical risk factors, and involves no strict climate policies issued by countries. Under this scenario, global temperatures are expected to rise by more than 2.5°C by 2055, potentially leading to sea level rise, changes in weather patterns, and more intense and frequent extreme weather events.

Under this scenario, for the impacts of extreme weather, we continuously update and refine our contingency plans for addressing extreme climate conditions and persistently conduct climate risk assessments across all operations. Additionally, we anticipate potential cost increases due to changes in weather patterns, such as rising raw material prices resulting from supply chain disruptions.

Overall, the forecasts for 2055 within the two SSP climate scenarios selected in the analysis indicate a growth in per capita Gross Domestic Product (GDP) of approximately 8.9 to 11.3 times higher than that in the base year of 2010. Although the models predict a decrease in the domestic population to about 1.17 billion by 2055, the overall higher GDP is expected to positively impact demand in the healthcare sector, leading more people to seek medical solutions and medicines.

1. Risk Analysis

Risk Type		Risk Name	Impact Level in Different Scenarios		Probability of Risk Occurrence	Expected Time of Risk Occurrence
			1.8°C	4.5°C		
Physical risks	Acute	Typhoons	Low	High	Probable	Short-term
		Floods				
		Rainstorms				
		Heatwaves	Low	Medium-high	Very probable	Short-term
		Cold waves	Low	Medium	Fairly probable	Medium-term
	Chronic	Rising sea levels	Low	High	Fairly probable	Long-term
		Lack of water	Low	High	Probable	Medium-term
		Humid air	Low	Medium-low	Almost certain	Short-term
		Rising mean temperatures	Low	Medium	Probable	Medium-term

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

1. Risk Analysis *(continued)*

Risk Type		Risk Name	Impact Level in Different Scenarios		Probability of Risk Occurrence	Expected Time of Risk Occurrence
			1.8°C	4.5°C		
Transition risks	Policy and Legal	Increased pricing of GHG emissions	Medium-high	Low	Probable	Medium-term
		Environmental mandates on and regulation of existing products	Medium	Low	Probable	Medium-term
		Environmental incident litigation	Medium	Low	Improbable	Medium-term
		Enhanced emissions-reporting obligations	Medium-low	Low	Very probable	Short-term
	Technology	Unsuccessful investment in new technologies	Medium	Low	Probable	Medium-term
		Costs to transition to lower emissions technology	Medium	Low	Probable	Medium-term
		Substitution of existing products with lower emissions options	Medium-low	Low	Fairly probable	Medium-term
	Market	Increased cost of raw materials	Medium	High	Very probable	Short-term
		Changing customer behavior	Medium-low	Low	Improbable	Long-term
		Uncertainty in market signals	Low	Medium-high	Very probable	Short-term
	Reputation	Increased stakeholder concern or negative stakeholder feedback	Medium-low	Low	Improbable	Short-term
		Stigmatization of sector	Medium-low	Low	Fairly probable	Medium-term

Note:

(1) Time dimension (expected time of risk occurrence): short-term (0-3 years), medium-term (3-10 years), long-term (10-30 years)

(2) Probability dimension (probability of risk occurrence): almost certain, very probable, probable, fairly probable, improbable, very improbable

(3) Financial impact dimension (degree of impact of a risk on business performance): high, medium-high, medium, medium-low, low

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures

Based on our preliminary assessment of risk factors and focus on carbon pricing, renewable energy generation, and other transitional climate impacts under the low emission scenario (1.8°C) and physical risk factors under the high-emission scenario (4.5°C), we have selected the following climate-related risk factors for further analysis and outlined relevant response measures.

Acute–Extreme weather (typhoons, floods, rainstorms)

Risk description:

The Group's production bases are widely distributed in the regions of northwestern, southwestern, southern, eastern, and central China. Extreme weather events caused by climate change include, but are not limited to, typhoons, rainstorms, droughts, floods, and sandstorms. Under the 1.5°C global warming scenario, the frequency of 1-in-20-year heavy precipitation events increases by 10% and the frequency of 1-in-100-year heavy precipitation events increases by 20%; under the 2°C global warming scenario, the frequency of 1-in-20-year heavy precipitation events increases by 22% and the frequency of 1-in-100-year heavy precipitation events increases by more than 45%.

Risk impacts:

Natural disasters such as rainstorms, floods, and strong typhoons may have lasting impacts on the Group. During extreme weather events, transportation of raw materials and products will be impeded, employee commutes will be inconvenient, and risks of power and water outages, and suspended steam supply could also arise. For example, some of the Group's production bases, located in coastal cities, are affected by tropical air currents in the northern hemisphere. From May to October, several typhoons may potentially make landfall nearby, leading to production stoppages and property losses. In addition, during the rainy season, there may be several instances of rainfall at the red alert level for rainstorms, causing impediments to the transportation of production materials, inconvenience to employee commutes, and damage to assets such as corporate buildings and equipment, thereby affecting production schedules and increasing facility maintenance costs.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Acute–Extreme weather (typhoons, floods, rainstorms) *(continued)*

Response measures:

- Prepare system documents such as the Contingency Plans for Extreme Weather, the Contingency Command Plans for Typhoon Prevention, the Contingency Plans for Production Safety Accidents, and the Abnormal Weather Management Regulations; establish a contingency command system, set up an emergency office, and define emergency personnel and duties to achieve swift response to extreme weather. The emergency office is responsible for the command work and, in collaboration with the production department, organizes personnel to conduct safety inspections on key facilities and equipment, with the logistics department responsible for material support;

- Before extreme weather events: pay close attention to weather changes, conduct safety inspections, correct and eliminate hazards promptly when identified, allocate protective devices and emergency equipment for climate disasters in advance, prepare emergency team members and power supplies, determine arrangements for employees' working hours and off hours and commuting and arrangements for material and product transportation in advance, and make advance arrangements for production and delivery;

- During extreme weather events: reduce production on the days of typhoons/rainstorms, prohibit outdoor operations, shut down promptly as needed, and assign personnel on duty to monitor weather conditions in real time to put the safety of personnel first and ensure complete emergency supplies;

- After extreme weather events: initiate the damage assessment work in time, learn from the experience, reduce the loss, and speed up the restoration of production;

- Strengthen fixed asset management: regularly inspect and maintain production equipment and facilities, purchase property insurance for fixed assets in high-risk locations prone to extreme weather, and take additional protective measures to reduce losses from force majeure risks;

- Regularly analyze the supply risks of suppliers, develop inventory strategies for key raw materials, optimize transportation modes and routes for key raw materials, and strengthen supplier partnerships to secure supply chain stability;

- Use water purification system to ensure the safety of production water quality, and conduct regular water quality testing for domestic water and drinking water.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Acute–Extreme weather (heatwaves, cold waves)

Risk description:

A cold wave is defined as a weather event in which the local temperature drops by more than 8°C within 24 hours due to cold air, with the lowest temperature of the day being below 4°C. On the other hand, a heatwave is declared when the daily maximum temperature reaches or exceeds 35°C, which lasts for several consecutive days (more than three days). Due to human activities, the probability of cold wave occurrences has decreased to a certain extent, but there is an increasing trend in intensity. Cold waves can bring drastic temperature drops, strong winds, rain and snow, frost, and other disasters, impeding the Group's raw material production, logistics transportation, power operation, etc. Meanwhile, heatwaves and heavy precipitation-heatwave combined extreme events are becoming more frequent and intense in the context of global warming. This leads to an increase in residential electricity loads, which could cause industrial electricity restrictions for our enterprises during certain periods.

Risk impacts:

Under extreme heat, the Group may need to enhance ventilation and cooling in production plants and offices, resulting in higher energy consumption and operating costs; meanwhile, the normal production may be impacted by power outages due to possible peak demand on the power grid. In extreme cold weather, the Group may increase demand for heating in production plants and offices, resulting in higher energy consumption and operating costs; road icing due to cold weather may impede transportation of production materials, leading to insufficient supply of raw materials, directly resulting in production delays or stagnation; dry weather easily causes fires, explosions, spills, poisonings, and other accidents; extremely low temperature may cause property losses such as equipment failure and increase maintenance costs for various facilities. Moreover, cold waves or heatwaves may increase the severity and scope of diseases such as cardiovascular disease, malaria, or heat stroke, threatening employees' health.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Acute–Extreme weather (heatwaves, cold waves) *(continued)*

Response measures:

- Make advance plans for off-peak power use and work arrangements during peak demand;
- Have a backup energy plan in place and develop an energy contingency plan in advance;
- In summer, schedule deliveries for hazardous materials in the morning or afternoon to avoid the high temperature period and reduce the risk of fire;
- Regularly analyze the supply risks of suppliers, develop inventory strategies for key raw materials, and strengthen supplier partnerships;
- Implement preventive measures, provide full protective equipment, and reinforce warning signs; conduct special inspections of equipment such as boilers and steam systems on a regular basis; conduct regular inspections of stairs, ramps, crossings and other slippery locations in the factory area;
- Develop contingency plans to prevent fires, explosions, spills, poisonings and other accidents;
- Provide adequate heating for all plants to prevent freezing damage to equipment and impact on production;
- Strengthen winter safety knowledge training for employees to ensure their safety at work; strengthen safety inspection of employees' dormitories;
- Prepare medicine for heat stroke prevention in summer and reduce outdoor operations for employees;
- Include heat response related content in employee training and conduct emergency drills for heat stroke and other sudden heat-related illnesses;
- Keep caring for employees' mental and physical health, and conduct regular health check-ups for employees.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Chronic–Rising sea levels

Risk description:

Based on the IPCC Sixth Assessment Report's monitoring of sea level change and assessment of its future range, as global temperatures rise, the rise in global average sea level has begun to accelerate due to thermal expansion of the oceans and melting of polar ice caps and glaciers, rising from 2.3 mm per year from 1971 to 2018 to 3.7 mm per year from 2006 to 2018. This rising trend will continue, increasing the risk of flooding and seawater intrusion.

Risk impacts:

The continuous rise in sea levels may lead to early retirement of plants and facilities in coastal areas and forced relocation of plants, resulting in production stoppages. Meanwhile, with rising sea levels, storm surges and flooding events will intensify, leading to more frequent saltwater intrusion that may cause damage to water table, which increases the cost of building plants in coastal areas.

Response measures:

- Continually monitor geographic and climatic information, determine the risk line of sea levels, and initiate the plant relocation plan when the sea levels reach the risk line;
- Strengthen risk control, and make timely adjustments to investment strategies for areas where sea levels are projected to rise.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Chronic–Lack of water

Risk description:

The Group's production process requires a significant amount of water resources for multiple steps such as raw material processing, product synthesis, and equipment cleaning. As the issue of global water scarcity becomes increasingly severe, especially in certain arid and water-stressed regions, the impact of water scarcity risks on production stability and cost control for pharmaceutical enterprises is becoming more pronounced.

Risk impacts:

The Group's water sources include surface water and groundwater. Water scarcity may force us to scale down or halt production, or take additional water resource management measures, such as recycling water resources and applying water efficiency technologies, which may result in increased production costs or reduced operating income. At the same time, the Group's supply chain may be dependent on water resources in certain regions, and water scarcity risks may lead to instable supply of critical raw materials, affecting the stability of the entire supply chain.

Response measures:

- Continually conduct water risk assessments for the Group's manufacturing enterprises, set reasonable water conservation targets and countermeasures, and take and implement improvement measures (for details, please refer to Section "10.4.1 Water resource management" in this chapter);
- Continually monitor geographic and climatic information and initiate contingency plans when the water levels reach the risk line;
- Set water conservation targets, reduce fresh water consumption, and increase wastewater reuse;
- Establish a sound water resources management system and appraisal system;
- Establish contingency plans and prepare buffer production water tanks.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Chronic–Rising mean temperatures

Risk description:

Analysis of the China Meteorological Administration's global surface temperature dataset shows that global warming has continued since 2015, with records for the "hottest year on record" continually being broken. Rising mean temperatures caused by global warming may pose a series of challenges to the production activities, raw material supply, product quality control, and employee health and safety of pharmaceutical enterprises. Temperature changes may impact the production processes, storage conditions, transportation chain, and stability of drug efficacy, especially for temperature-sensitive drugs and biological products.

Risk impacts:

Temperature changes may impact the synthesis and production processes of certain drugs, which requires adjustments to production parameters or addition of temperature control measures, thereby increasing production costs. In some regions experiencing high temperatures, continuous temperature rise requires the Group to enhance ventilation and cooling measures in production plants and offices, resulting in higher energy consumption and operating costs. It also reduces production efficiency due to increased likelihood of heat stroke and other sudden heat-related illnesses among employees.

Response measures:

- Improve air-conditioning and ventilation systems in production plants and offices for energy conservation to increase energy efficiency;
- Provide employees with adequate supplies for heatstroke prevention in summer, and offer annual health check-ups for employees;
- Include heat response related content in employee training and conduct emergency drills for heat stroke and other sudden heat-related illnesses;
- Avoid working outdoors at midday in hot weather to ensure work safety;
- Plan in advance the arrangement of off-peak power use.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Policy and Legal–Increased pricing of GHG emissions

Risk description:

Carbon emission rights are the legal rights acquired by enterprises to emit greenhouse gases, with each enterprise receiving a government-approved quota of greenhouse gas emissions. The Group has not yet been included in the industries covered by the national emissions trading system and has set emission reduction targets to achieve carbon neutrality by 2055. In a future low-emission scenario, if the country continues to promote stricter emission reduction policies and enacts policies related to greenhouse gas carbon emission trading in the pharmaceutical industry, for which the Group is included into the carbon quota trading market, the Group's manufacturing enterprises may be affected by carbon quotas and need to take more aggressive emission reduction measures or utilize carbon emission rights trading to ensure greenhouse gas emission compliance.

Risk impacts:

As the pricing of greenhouse gas emission rights increases, the Group's expenditures in carbon trading may continue to rise, impacting the Group's financial performance. Also, the increased pricing of carbon emissions will have a significant impact on the power and chemical industries, resulting in rising energy prices or short supply of raw materials, which will indirectly increase the Group's operating costs.

Response measures:

- Establish a greenhouse gas emission management framework, set energy conservation and consumption reduction targets and carbon reduction targets, and promote the gradual reduction of intensity and total volume of carbon emission. For example, establish an energy conservation and emission reduction team to conduct multifaceted self-inspections according to the Company's requirements, and continuously optimize emission reduction efforts; meanwhile, require department and workshop heads to document and investigate high-power equipment and pollution-intensive processes identified according to their production conditions; summarize the situations to the ESG Working Team on a monthly basis, and deepen the analysis of next steps for energy conservation and emission reduction measures, so as to ensure further reduction of emissions while completing the Group's energy conservation and emission reduction tasks;

- Optimize production technology and improve production efficiency through technological refinement, thereby reducing the raw material and energy consumption per unit of product: for example, extend the life of bins (whose reuse life is related to the life of intermediate products) through cleaning validation and process validation to increase reuse cycles and reduce consumption of electricity, steam, and water resources;

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Policy and Legal–Increased pricing of GHG emissions *(continued)*

Response measures: *(continued)*

- Strengthen energy conservation and emission reduction management in the overall production and operation process: for example, review energy-consuming equipment and energy use, replace energy-intensive equipment with energy-efficient equipment, modify and upgrade high energy-consuming equipment to save energy, and explore deeper space of energy conservation and emission reduction for production equipment, so as to improve energy efficiency and reduce greenhouse gas emissions from energy consumption;

- Promote resource recycling and install resource recycling facilities (e.g. building reclaimed water reuse facilities, reusing alcohol waste, etc.);

- Improve energy structure: increase the proportion of clean and renewable energy usage (e.g. vigorously promote the construction of photovoltaic power generation projects, etc.), and reduce the use of traditional fossil fuels;

- Strengthen training and publicity, raise employees' awareness of energy conservation, improve employees' proficiency in operating equipment, and avoid unnecessary energy waste;

- Strengthen energy management and control, set up an application system for energy (e.g. steam) use, and strengthen the appraisal of energy use in production workshops;

- Improve production technology, and improve the yield of products through technological refinement, thus reducing the raw material and energy consumption per unit of product;

- Practice the concept of green operation, actively promote paperless office, and reduce greenhouse gas emissions in operational processes.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Policy and Legal–Environmental mandates on and regulation of existing products

Risk description:

Currently, China has introduced policies and regulations such as the Action Plan for Carbon Dioxide Peaking Before 2030, the 14th Five-Year Plan for Development of Pharmaceutical Industry, the Implementation Plan for Synergizing the Reduction of Pollution and Carbon Emissions, and the Trial Measures for the Management of Carbon Emissions in Guangdong Province. In the future, as domestic and international carbon emission trading becomes interconnected and related efforts continue to deepen, more detailed implementation rules for coordinated emission reduction of greenhouse gases and other pollutants may be introduced in environmental pollution prevention and control.

Risk impacts:

Stricter environmental policies in the future may lead to write-offs, asset impairment, and early retirement of existing assets, and may also increase related insurance costs. Meanwhile, to meet policy requirements, the Group may need to invest in R&D of new technologies and new processes of low energy consumption, thus increasing R&D expenditures; alternatively, due to policy requirements, the Group may need to purchase new equipment, thus increasing capital costs. Moreover, environmental compliance costs may also rise.

Response measures:

- Adjust the business and product structure of the Company to replace products with high energy consumption, high pollution and low value-added with products with low energy consumption, low pollution and high output value, so as to reduce the impact of possible strengthened regulation on production and products;

- Reduce energy consumption from product transportation, increase the loading rate of containers and trains, use new energy vehicles to transport goods wherever possible, and use electric forklifts for transportation within plants, etc., so as to reduce GHG emissions in the transportation process and thus mitigate the impact of increased prices of GHG emissions on costs;

- Engage consultants to assess our current energy conservation status, make targeted improvements based on the results of the professional assessment. For example, in response to the Heavy Pollution Weather Performance Rating, we have already been working to minimize the risk impact of changing policies and regulations while reducing energy costs by conducting on-site inspections, developing correction plans, working with third parties to prepare performance rating plans, and other means.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Technology–Unsuccessful investment in new technologies

Risk description:

In the process of responding to climate change and reducing environmental impacts, the Group may need to invest in new technologies and production processes, such as more environmentally friendly raw materials, more energy-efficient production equipment, or lower emissions logistics solutions. These investments are aimed at reducing the carbon footprint of the enterprise and complying with increasingly stringent environmental regulations. However, the R&D and implementation of these new technologies carry uncertainties, and the investments may fail due to failure of these technologies to achieve expected outcomes, low market acceptance, cost overruns, or extended implementation timelines.

Risk impacts:

The capital investments associated with technology development, new procedures, and new processes may result in higher product costs and the risk of losing some market share due to price disadvantages. Meanwhile, investing in new technologies requires substantial R&D capital input with uncertainties as to their effective conversion into productivity, and, given the long technology replacement cycles, may affect the production capacity of existing products; the introduction of new technologies may also require the elimination of old equipment, leading to write-offs and early retirement of existing assets. Additionally, if customers do not recognize new processes after technology reform, it may lead to reduced revenue from possible reduced demand for products.

Response measures:

- Accelerate the R&D of new technologies and intensify marketing efforts for new products that apply new technologies to develop new growth points of profit;
- Modify and refine old products, continuously optimize material processes, develop green and lower emissions production techniques, reduce production costs, and increase profit margins to resist the risk of failed investment in new technologies;
- Operate new technology and old processes at the same time to avoid the slow sales of products caused by technology update;
- Conduct adequate project inspection and suitability demonstration when investing in new technologies or implementing transition to lower emissions technologies to fully evaluate the ROI (return on investment) period and feasibility, and select the most suitable and mature technologies, so as to reduce the risk of unsuccessful investment;

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

***Technology–Unsuccessful investment in new technologies** (continued)*

Response measures: *(continued)*

- Identify and assess the potential risks of new technologies and implement effective risk controls; through steps such as laboratory tests, pilot plant tests, and commercial-scale batch tests, minimize the risk and cost of failure, to ensure the safe and reliable use of new technologies at the minimum cost and reduce the uncertainty of new technology applications;

- Conduct R&D of new technologies in advance, proactively carry out pilot projects of new technology applications, and optimize the cost of using new technologies;

- Provide employees with systematic training on new technology / process operation to help them become familiar with the new process as quickly as possible.

Market–Increased cost of raw materials

Risk description:

The Group's raw materials involve a variety of types including chemical raw materials, biomaterials, APIs, and traditional Chinese medicinal materials. During periods of heat in summer and cold in winter, or under extreme weather conditions, the production of some suppliers of raw materials and auxiliary materials may be restricted, resulting in production reductions or shutdowns, which could potentially lead to shortages and price increases for some materials supplied to the Group. Meanwhile, under the influence of climate change, global energy transition, etc., the prices of energy sources (coal, electricity, steam), water and raw materials (glucose, corn starch, etc.) are on the rise, and some biological raw materials are hardly available, and some raw material suppliers are closing down; climate change may also turn essential resources for production into scarce resources.

Risk impacts:

With climate change and energy transition undertaken by countries in response to climate change, the yield and quality of raw materials for the Group's products may be affected by factors such as extreme weather, pests, and energy shortages, resulting in insufficient raw material supplies and higher prices, thereby raising the Group's production costs. For example, the prices of imported reagents in our raw materials continue to increase within a certain range each year, resulting in elevated testing and production costs, and posing the risk of potential stock-outs for some imported reagents.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

***Market–Increased cost of raw materials** (continued)*

Response measures:

- Actively carry out technological innovation, identify alternative raw materials and energy sources, and establish diverse channels of energy supply. For example, the Group actively seeks domestic alternatives to some of the expensive impurity reference substances/standards through experimental study and comparisons, to stabilize raw material supply prices;

- Explore innovative cooperation models and invest in the joint construction of cultivation bases. For example, this year we piloted the joint construction of a Pogostemon cablin base with a company that grows genuine medicinal materials in Meizhou, Guangdong. This allows us to secure discounted purchase prices post-harvest, ensuring not only the quality of the raw materials but also the stability of their supply, independent of market supply fluctuations;

- Regularly analyze the supply risks of suppliers, strengthen strategic cooperation with suppliers, and increase the inventory from key suppliers. For example, we sign long-term supply contracts with suppliers for bulk raw materials to mitigate the impact of price volatility; we select multiple suppliers for critical raw materials, continuously incorporate the development of new suppliers into our sourcing appraisal plan, and reduce dependence on a single raw material supplier through diversified sourcing strategies to avoid the risk of raw material stock-outs or price increases;

- Prepare raw material reserves in advance according to market conditions. For materials with high usage and long validity period, for example, we monitor market prices while ensuring quality and increase reserves in advance or sign annual agreements to avoid the risk of supply disruptions;

- Increase electricity generated from renewable energy to address rising electricity costs due to increased coal and electricity prices;

- Improve production technology, promote product yield, and control production cost, so as to reduce consumption of raw materials and energy;

- Stay informed about the development of new eco-friendly materials and select those with a cost advantage; optimize packaging forms and improve packaging efficiency through automated equipment to mitigate the risk of cost increases. For example, replace disposable packaging materials with recyclable ones, and transfer ethanol purchased using stainless steel barrels instead of plastic ones from the original supplier; reduce the layers of product packaging from three layers (box + middle box + carton) to a printed box + carton form.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Market–Changing customer behavior

Risk description:

As public awareness of climate change and environmental protection increases, customer requirements and preferences for pharmaceuticals and services may also evolve in the future. In a low-emission scenario in the future, an increasing number of customers are likely to gradually prefer pharmaceutical enterprises and their products that have a lower environmental impact and use sustainable production methods.

Risk impacts:

In a low-emission scenario in the future, as regulations and requirements on carbon emissions tighten gradually, customers' requirement for lower emissions products or the consideration of ESG performance as a review point for cooperation may lead to decreased demand for existing products and retirement of inventories.

Response measures:

- Flexibly adapt market strategies and product portfolios, and strengthen environmental protection and sustainability investments and communications;
- Actively pay attention to consumer preference trends in the market and focus on the development of green and lower emissions products.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Market–Uncertainty in market signals

Risk description:

Given climate change and its broad socioeconomic impacts, uncertainties related to market demand, regulatory environments, competitive landscapes, and technological advancements may increase. For example, evolving policies and regulations aimed at addressing climate change could affect the manufacture, packaging, and distribution of pharmaceutical products.

Risk impacts:

Under the influence of climate change or national carbon peaking and carbon neutrality policy, sudden power and water rationing and outages and higher electricity prices could occur, potentially reducing product output and thereby disrupting normal production and timely supply to customers. Moreover, raw material prices may rise, or supplies become delayed due to power and water rationing and outages and sudden increases in electricity prices, leading to increased production costs.

Response measures:

- Keep abreast of market signals and energy policy changes to ensure timeliness of information;
- Develop contingency plans and make relevant arrangements to respond to the impact of sudden power/water rationing;
- Establish a communication mechanism with various departments of power supply and distribution, establish relevant systems for emergency response to power outages, allocate emergency generators and emergency pools, and adopt off-peak power use when electricity prices rise, to cope with the impact of new policies, such as staggered power outages and emission restrictions.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

2. Risk Impact Analysis and Response Measures *(continued)*

Reputation–Increased stakeholder concern or negative stakeholder feedback

Risk description:

As the global emphasis on climate change and environmental protection intensifies, in a low-emission scenario in the future, stakeholders (including investors, consumers, regulatory agencies, and partners) may have higher expectations of the Group's environmental performance. This could include stricter requirements for carbon emission reduction, sustainable use of resources, waste treatment and recycling, etc.

Risk impacts:

As the Group's ESG performance has attracted great attention from the capital markets, any ESG downgrade and reputational damage may result in reduced capital availability. The Group's production sites are exposed to reputational damage in the event of complaints from residents. In terms of partnerships, negative impacts on workforce management and planning (e.g. employee attraction and retention) may lead to reduced revenue or increased costs. As customer concerns about ESG are growing, failure to promptly address ESG concerns during customer audits could have an impact on sales. In the future, as government environmental regulations become more stringent, expansions of energy-intensive factories may not be approved, which could affect the Group's production.

Response measures:

- Disclose climate-related risks and opportunities and their response measures in ESG reports;
- Set ambitious carbon emission targets and energy management targets and strive for target achievement;
- Proactively respond to inquiries from capital market stakeholders (e.g. investors, rating agencies, etc.);
- Comprehensively improve the level of ESG governance within the Group and provide ESG-related training to employees;
- Through a series of energy conservation and carbon emission reduction measures, work hard to reduce the impact on environment, ensure EHS compliance and strictly control EHS risks;
- By building green factories, improving safety assurance for climate risks, etc., enhance corporate brand value and improve employee satisfaction.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

3. Opportunity Analysis

Opportunity Factor	Impact Level in Different Scenarios		Opportunity Impacts
	1.8°C	4.5°C	
Resource Efficiency	Medium	Medium-low	• Reduced operating costs (e.g. cost reductions through improved efficiency) • Increased production capacity, resulting in increased revenues • Increased value of fixed assets (e.g. highly rated energy-efficient buildings) • Benefits to workforce management and planning (e.g. improved working environment, higher production safety level, and employee satisfaction), resulting in lower costs
Energy Source	Medium	Low	• Reduced operating costs (e.g. use of carbon abatement measures with the lowest costs) • Reduced exposure to future fossil fuel price increases • Reduced exposure to greenhouse gas emissions and therefore less sensitivity to changes in trading price of carbon • Improved reputation and increased demand for products
Products and Services	Medium	Low	• Increased revenue through new solutions to climate adaptation needs • Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	Medium-low	Low	• Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks) • Increased diversification of financial assets (e.g. green deposits) to spread risks
Resilience	Medium-low	Low	• Increased market valuation of infrastructure, land and buildings through resilience planning • Increased business operation resilience through resource substitutes and other means

Note: Financial impact dimension (degree of impact of an opportunity on business performance): high, medium-high, medium, medium-low, low

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

4. Opportunity Impact Analysis and Response Measures

Resource Efficiency

Considering the potential future risks of rising raw material costs, increasing labor costs, logistics disruptions, etc., the Group can improve its overall resource efficiency by increasing the level of automation in production and storage equipment, moving to more energy efficient buildings, and using more efficient modes of transport to provide more, higher value-added and more sustainable products and services with less resource consumption. Moreover, by using more efficient production and distribution processes, recycling resources, and reducing water usage, the Group can not only reduce energy and material consumption, but also increase production capacity and meet increasingly stringent environmental requirements.

Response measures:

- Improve the yield of products through technological refinement, thus reducing the raw material and energy consumption per unit of product;
- Optimize and improve highly toxic, high-risk, and energy-intensive inspection methods to ensure employee safety and increase work efficiency, reduce employees' work intensity, and improve the working environment;
- Adjust the product structure to replace products with high energy consumption, high pollution and low value-added with products with low energy consumption, low pollution and high output value, such as the construction of afoxolaner(阿福拉納)production lines and the gradual elimination of colistin(粘桿菌素)production, so as to improve the efficiency of resources per unit;
- Improve supply chain management capabilities, strengthen communication with the market and centralize production scheduling, and reduce raw material and finished product inventories by shortening the cycle of material procurement and production to reduce the risk of inventory backlogs and optimize distribution processes. Meanwhile, introduce automatic sorting equipment in the supply chain department to replace outdated manual sorting methods to increase production efficiency and reduce operator workload and warehouse operating costs;

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

4. Opportunity Impact Analysis and Response Measures *(continued)*

Resource Efficiency *(continued)*

Response measures: *(continued)*

- Increase the loading rate of containers and trains, use new energy vehicles and new low-carbon technologies to transport goods, and use electric forklifts for in-plant transportation to improve resource efficiency during transportation;

- Actively conduct energy conservation and emission reduction projects to replace outdated, energy-intensive equipment/systems with equipment/systems with low energy consumption and high output value; meanwhile, optimize and improve energy-intensive technologies and processes (e.g. changing the layout of workshop production lines, etc.) to improve production efficiency, reduce operator errors, and enhance the level of work safety;

- Optimize production processes and plant resource utilization to increase production efficiency and reduce labor costs. For example, centralize the use of plants across departments to reduce power consumption from central air conditioning;

- Enhance routine maintenance of natural gas boilers to reduce breakdowns, improve efficiency and the natural gas/steam conversion rate, centralize production scheduling to spread the operating costs of fixed assets, labor, electricity, water, etc. of natural gas boilers;

- Set water usage targets and continuously optimize water management;

- Promote resource recycling efforts, such as waste recovery and reclaimed water recovery. For example, use treated water that meets standards for in-plant greening purpose, which not only increases resource efficiency but also reduces wastewater discharge;

- Build green factories and prioritize leasing green buildings for offices.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

4. Opportunity Impact Analysis and Response Measures *(continued)*

Energy Source

At present, the energy used by the Group remains the primary source of carbon emissions. As the price of fossil fuels may fluctuate along a lower emissions development pathway, initiatives such as the development of photovoltaics and the promotion of clean production plans can better facilitate the Group's achievement of its emission reduction targets. On another front, against the backdrop of China's active promotion of energy transition and construction of a new electric power system with an increasing share of new energy, coupled with the increasingly competitive operating costs of renewable energy, the Group can secure stable, long-term returns from energy transition and participation in the carbon trading market.

Response measures:

- Conduct the construction of photovoltaic power generation projects in various manufacturing enterprises, and actively explore other applicable and feasible clean energy sources;
- Implement clean production plans that integrate the construction of photovoltaic projects, plant automation renovation, waste recycling, and other projects;
- Regularly conduct cleaner production audits and continuously apply the comprehensive preventive environmental protection strategy to the production process and products;
- Establish an incentive mechanism for cleaner production to ensure sustainable and effective cleaner production, and reduce greenhouse gas emissions to increase the possibility of future profits in the carbon trading market.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

4. Opportunity Impact Analysis and Response Measures *(continued)*

Products and Services

By developing new products (e.g. drugs to treat tropical infectious diseases and all other diseases caused by climate change) and introducing lower emissions goods and services, the Group can not only meet the growing environmental demands of consumers and enhance its competitiveness in the market, but also create new revenue streams and improve its brand image. This environmentally friendly innovation not only helps the Group build an image as a sustainable and responsible enterprise and attract greater attention from consumers and investors, but also reduces operating costs and improves efficiency and profitability through optimized energy and resource use.

Response measures:

- Give subsequent consideration to the R&D of drugs to treat tropical infectious diseases (e.g. antiparasitic drugs);
- Actively pay attention to consumer preference trends in the market, focus on the development of green and low-carbon products, and build a green manufacturing system.

Markets

Climate change may lead to changes in disease patterns and epidemiology, affecting the demand for specific medicines. For example, temperature changes may expand the range of transmission of certain infectious diseases, increasing the demand for related drugs and presenting new market opportunities. Meanwhile, the impact of climate change on public health may prompt governments and international organizations to take further actions (e.g. introducing incentive policies and providing subsidies to enterprises). The Group can improve its brand image and explore new markets and business opportunities by participating in these public health projects and collaborations. In the future, the development of green finance may also bring about new financing opportunities.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

4. Opportunity Impact Analysis and Response Measures *(continued)*

***Markets** (continued)*

Response measures:

- Pay continuous attention to new markets, and actively prepare for new markets and businesses brought about by emerging diseases caused by climate change;
- Proactively pay attention to the green finance market, and explore green deposits and other financial products;
- Increase efforts to track environment-related policies and apply for subsidies in a timely manner. For example, take measures such as building green factories and conducting energy efficiency certification to obtain lower emissions subsidies/incentives from government departments, thereby enhancing the competitiveness of our products in the market and increasing product sales.

Resilience

As the risks of climate change escalate leading to more frequent extreme weather events, whose intensity becomes increasingly unpredictable, strengthening climate resilience is particularly important to avoid the loss of life and property caused by climate risks. The Group can increase the future market valuation of assets by strengthening the climate resilience of infrastructure, optimize the supply chain and diversify sourcing to mitigate the risk of unstable raw material supply, and invest in green and efficient production technologies to reduce negative environmental impacts. These measures help our enterprises maintain operational flexibility and efficiency in the face of challenges posed by climate change, while also enhancing our environmental sustainability and market competitiveness.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

4. Opportunity Impact Analysis and Response Measures *(continued)*

Resilience *(continued)*

Response measures:

- Give priority to environmentally friendly materials and processes for product production, and build green factories and green office buildings to increase the market valuation of fixed assets;
- Actively promote photovoltaic power generation and explore other clean energy sources to improve the reliability of energy supply;
- Improve the supplier management process for pharmaceutical plants, adding assessment and classification of supplier capabilities to respond to climate risks. Plan ahead for suppliers based on supplier assessment and classification to reduce the risk and impact of supply disruptions;
- Investigate the feasibility of energy efficiency projects, such as photovoltaic cell energy storage, to further secure power supply for production and improve business operation resilience.

10.5.3 Risk management

To address potential risks and opportunities arising from climate change, Livzon, under the leadership and supervision of its Board and the ESG Committee, has established a process and framework of climate-related risk management, and has integrated climate-related risk management into the Group's overall risk management.

We annually convene the management of the Company, the EHS department of the headquarter, and the management and relevant departments of the subsidiaries to collaborate on the identification of climate-related risks and opportunities on a regular basis. We assess the climate-related risks and opportunities with the assistance of external experts to develop and implement response plans, and regularly report on work results to the ESG Committee every year.

Our specific climate risk management steps are as follows:

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.3 Risk management *(continued)*

Step I: **Prepare a list of potential climate risks**

- Prepare a preliminary list of the Group's potential climate risks based on industry research reports, relevant policies issued by regulatory agencies, peer benchmarking, stakeholder surveys, interviews with business departments, interviews with executives, external information search, etc.
- Interview the heads of all relevant business departments ("executives") to collect a list of potential climate risks that executives consider exist, to obtain a comprehensive and unbiased list of risks.

Step II: **Assess climate risks**

Conduct climate-related scenario analysis and assessment for each climate risk and opportunity across the following three dimensions, and rate each comprehensively to understand the potential impact of various risk and opportunity factors on the Group's operations.

- Time dimension (expected time of risk occurrence)
  Short-term (0-3 years), medium-term (3-10 years), long-term (10-30 years)
- Probability dimension (probability of risk occurrence)
  Almost certain, very probable, probable, fairly probable, improbable, very improbable
- Financial impact dimension (degree of impact of a risk on business performance)
  High, medium-high, medium, medium-low, low

Step III: **Develop response measures**

According to the results of the climate risk assessment, relevant business departments jointly discuss and develop response measures to form the Climate Risk Response Action Plan. After approval by the general manager of each operation, the relevant business departments are responsible for implementation.

Step IV: **Oversee and report**

- All relevant business departments report to the general manager of each operation on the implementation of response measures on a semi-annual basis, and adjust actions in a timely manner according to the actual situation.
- The Group prepares an Annual Report on Climate Risk Management every year, which is submitted to the ESG Committee for review after approval by the general manager of each operation and the ESG Working Team.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.4 Metrics and targets

Based on a well-developed framework of governance, strategy, and risk management, we have set the metrics and targets for climate-related risks and opportunities management, and conduct routine oversight and appraisal. For details (including the performance against targets), please refer to Section "10.2 ENVIRONMENTAL MANAGEMENT TARGETS" in this chapter.

Case: "Earth Hour" event

At 8:30 PM on 23 March 2024, the "Earth Hour" event took place worldwide. In active response to the call, Livzon participated in this event alongside over 190 countries and regions globally, dedicating an hour to the Earth, as part of our practical action to combat climate change.

Livzon made careful arrangements for this event. On the day of the event, the Company and its 15 subsidiaries turned off all landscape lighting, office lighting, some production equipment, and some non-essential electrical equipment. By holding this event, we promoted the awareness of conscious energy conservation among our employees, conveyed the importance of efforts to combat climate change, and enabled all employees to take an active part in combating climate change.

10.6 BIODIVERSITY CONSERVATION

Livzon places considerable emphasis on biodiversity conservation and is committed to protecting biodiversity. We strictly comply with the Forestry Law of the PRC, the Regulations on the Implementation of the Forestry Law of the PRC, the Measures for the Administration of Regenerative Felling of Forests, the Regulations of the PRC on the Protection of Wild Plants, the Law of the People's Republic of China on the Protection of Wildlife, the Regulations on Restoring Farmland to Forest, the Regulations on Protection of Wild Medicinal Resources, the Water Law of the PRC, the Convention on Biological Diversity of the United Nations, and other laws and regulations and international conventions related to biodiversity conservation.

The Company's Environmental, Occupational Health, and Safety Management Policy clearly specifies the Group's requirements related to biodiversity conservation and zero deforestation. We steadily promote biodiversity conservation efforts, remain committed to sustainable and dynamic management of the natural resources and raw materials in the supply chain, and continuously reduce the negative impact on biodiversity, so as to fulfill our commitment to biodiversity conservation. With respect to deforestation, our own operations involve no deforestation, and we commit to maintaining zero deforestation in future operations.

To conserve biodiversity, we assess the dependencies and impacts of our business operations on natural resources, continuously reduce the adverse impacts of our business operations on biodiversity, promote the sustainable use of natural resources, and maintain ecological balance. Additionally, we apply a "mitigation hierarchy" approach, namely "avoidance, reduction, restoration, offset", to work towards "No Net Loss" of biodiversity. Specifically:

- Avoidance: for business activities such as project/plant planning, avoid locations with important biodiversity and environmentally sensitive areas, and consider alternative solutions to avoid loss of local biodiversity, ensuring that the biodiversity of the ecosystem is comparable to that before project/plant construction.
- Reduction: reduce the negative impacts on biodiversity (including direct, indirect, and cumulative impacts) through eco-friendly technologies and complementary measures.
- Restoration: if negative impacts have occurred, take remedial measures to restore the damage caused.
- Offset: compensate for adverse impacts on biodiversity that cannot be avoided, reduced, or restored, to offset any residual adverse impacts.

Furthermore, we use no animal or plant materials from species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) for product production, and verify the raw materials provided by our suppliers to ensure that they are not animal or plant materials from species listed in the CITES.

Simultaneously, we continuously strengthen internal promotion and training on biodiversity conservation, foster respect for natural resources among employees and raise awareness of biodiversity conservation among employees and suppliers across all our operations, and actively promote ecological conservation.

10.6 BIODIVERSITY CONSERVATION *(continued)*

We insist on the rational development and utilization of biological resources based on the effective conservation of biodiversity, and ensure the healthy and orderly development of the traditional Chinese medicine industry.

- **Guaranteeing the source of raw materials for genuineness and quality:** We implement a strict procurement quality management system. Through order-based procurement from producing areas of genuine medicinal materials, strict raw material quality audit, self-construction + joint construction of medicinal material bases and other measures, we guarantee from the source that all medicinal raw materials are sourced in a legal and compliant way and in good quality. We also prevent from the source any flow of traditional Chinese medicinal materials from unknown sources into the production link. To a certain extent, we have suppressed excessive and exploitative farming and cultivation in the production of traditional Chinese medicinal materials.

Case: Management of biodiversity impact of medicinal material suppliers by Sichuan Guangda

Sichuan Guangda, a subsidiary of the Company, primarily manufactures proprietary Chinese medicines. To reduce the potential impact of its business operations on biodiversity, Sichuan Guangda signs quality agreements with medicinal material suppliers, strictly requiring adherence to genuineness for the producing areas of the medicinal materials supplied. It also collaborates with long-term suppliers on joint and collaborative construction of medicinal material plantation bases, working together on the selection and breeding of traditional Chinese medicinal material seeds and seedlings, standardized planting, harvesting, processing, and ecological planting.

For medicinal materials primarily sourced from the wild, Sichuan Guangda works deeply with suppliers to study successful cases of domestication from wild species and expand the scope of domesticating wild traditional Chinese medicinal materials to minimize the harvesting of wild resources and reduce the potential impact on biodiversity.

10.6 BIODIVERSITY CONSERVATION *(continued)*

- **Constructing medicinal material plantation bases and protecting germplasm and germplasm resources:** We thoroughly assess the supply chain's impact on biodiversity, adhere to sustainable supply of raw materials, and continuously reduce the negative impact on biodiversity. Through the construction of demonstration bases for medicinal materials, the development and promotion of methods and standards for medicinal material plantation and processing in producing areas, and introduction of a model of joint construction of bases, among other methods, we have been vigorously promoting the construction of demonstration bases for the cultivation of traditional Chinese medicinal materials, and have built medicinal material plantation bases in Shanxi, Shaanxi, Gansu and other genuine producing areas based on the experience of traditional medicinal material plantation.

  Site locations for constructing the Group's medicinal material plantation bases are selected rationally in strict accordance with the suitable environment for medicinal material plantation, the historical plantation experience and other factors. By enterprise-university-research institution cooperation, self-construction of seedling experimental areas and strict control over the germplasm resource and seedling quality of medicinal materials, we are preventing from the technical source the weakening of species' germplasm resources and varieties and the invasion of alien species.

  In the process of planting medicinal materials, we insist on green and scientific planting. Datong Livzon Qiyuan Medicine Co., Ltd.(大同麗珠芪源藥材有限公司)("Datong Livzon"), the Company's subsidiary, cultivates its Astragalus membranaceus in simulated wild conditions without the use of fertilizers or pesticides to protect the land and water resources. Datong Livzon has obtained the organic product certification, the certification of the cultivation base of genuine high-quality medicinal materials (Astragalus membranaceus), and 5A-grade Astragalus membranaceus cultivation base (artificially sown and naturally grown) certification for its products. Longxi Livzon Shenyuan Medicine Co., Ltd.(隴西麗珠參源藥材有限公司)("Longxi Livzon"), the Company's subsidiary, has obtained the certification of organic conversion and the demonstration base of genuine high-quality medicinal materials (Codonopsis pilosula) certification.

- **Promoting sustainable use of raw materials:** With the technical support from the R&D platforms of medicinal material plantation enterprises under the traditional Chinese medicine business department of the Company and the center for medicinal material resources of our traditional Chinese medicine research institute, we are actively conducting research on the germplasm resources and cultivation technology of medicinal materials, methods and standards for processing in producing areas, full-process information tracing, and comprehensive utilization and development of medicinal material resources, to ensure the quality of medicinal materials and make the most of medicinal material resources, maintain the ecological balance of medicinal materials, and prevent the loss, degradation and overexploitation of ecological resources, thereby ensuring the sustainable use of traditional Chinese medicinal resources and protecting the genetic diversity of medicinal materials and the biodiversity of cultivation bases.

10.6 BIODIVERSITY CONSERVATION *(continued)*

With the increasing market demand over the past few years, the resources of wild Acorus tatarinowii have been significantly depleted. In cooperation with a local pharmaceutical enterprise and under the technical guidance of the expert team of Sichuan Academy of Traditional Chinese Medicine, we have completed the construction of bases for Acorus tatarinowii cultivated in simulated wild conditions. The base area is planned to reach more than 4,000 mu in the next 4 years. To improve the quality of Acorus tatarinowii, we have completed the construction of cleaning processing workshops in the producing areas of Acorus tatarinowii, together with the local pharmaceutical enterprise, to unify the processing of Acorus tatarinowii in the producing areas, thereby ensuring the uniform and stable quality of medicinal materials.

Case: Protecting the ecological system of the bases for Acorus tatarinowii cultivated in simulated wild conditions

With the increasing market demand over the past few years, the resources of wild Acorus tatarinowii have been significantly depleted. Cultivation of Acorus tatarinowii in simulated wild conditions has just begun. In order to protect the original ecological environment of the Acorus tatarinowii bases, minimize the impact on the environment, and promote the virtuous cycle of natural ecosystem in the bases for Acorus tatarinowii cultivated in simulated wild conditions, Sichuan Guangda, referring to the Regulations on Protection of Wild Medicinal Resources of the PRC, has completed the construction of a base for Acorus tatarinowii cultivated in simulated wild conditions in Dujiangyan (the "Base") in cooperation with a local pharmaceutical enterprise and under the technical guidance of the expert team of Sichuan Academy of Traditional Chinese Medicine.

During the Year, 1,000 mu of the Base was constructed, and it is planned to expand to more than 4,000 mu in 4 years. In the future, Sichuan Guangda and its partner will follow the closed development model across the entire industrial chain of traditional Chinese medicinal materials to vigorously promote the construction of the base for Acorus tatarinowii cultivated in simulated wild conditions. Under the leadership of the Dujiangyan government and the technical support of Sichuan Academy of Traditional Chinese Medicine, they will jointly build an industrial park of Acorus tatarinowii and other genuine medicinal materials produced in Sichuan, so as to reduce the farming and cultivation of wild Acorus tatarinowii and protect the stability and diversity of the ecosystem.

10.6 BIODIVERSITY CONSERVATION *(continued)*

Case: Protecting the ecological system of the Astragalus membranaceus cultivation bases

In order to protect the original ecological environment of the Astragalus membranaceus bases, minimize the impact on the environment, and maintain and promote the virtuous cycle of natural ecosystem in the Astragalus membranaceus GAP bases, Datong Livzon, the Company's subsidiary, referring to the Regulations on Protection of Wild Medicinal Resources of the PRC, formulated the "Implementation Plan for the Protection and Sustainable Development of Wild Resources and Ecological Environment of Astragalus membranaceus GAP Bases", which integrates the concept of respect for nature and ecological conservation into the production operation process.

At present, Datong Livzon's Astragalus membranaceus bases have been awarded the three-star "demonstration base of genuine high-quality medicinal materials (Astragalus membranaceus)" certification by the Professional Committee of Traditional Chinese Medicinal Materials Cultivation of the China Association of Traditional Chinese Medicine, organic product certification by the China Quality Certification Center, and the "tri-harmlessness and traceability" certification by the China Association of Traditional Chinese Medicine. The "tri-harmlessness and traceability" standard for traditional Chinese medicinal materials refers to being sulfur-free, aflatoxin-free, pollution-free (including no excessive pesticide residues, no excessive heavy metals, and no use of growth regulators to promote the growth of harvested organs), and traceable throughout the process.

Datong Livzon's Astragalus membranaceus GAP bases cover a planting area of approximately 20,000 mu and adopt the wild cultivation model. Located in remote mountainous areas, the Astragalus membranaceus bases are nestled in a habitat for wildlife protection. Therefore, Astragalus membranaceus is grown in a semi-wild ecological environment throughout the growing period, and is sown manually and left to grow naturally. Without watering, fertilizing, or pesticides, manual operation is utilized whereas large machinery is rarely used.

Annual environmental monitoring is conducted at the bases, and a third-party designated by the certification body conducts quality tests on the Astragalus membranaceus. To date, the Astragalus membranaceus produced has not shown any problems with pesticide residues or heavy metals, which greatly protects the ecological environment and ensures harmonious coexistence between animals and humans. In addition, to prevent soil erosion, the bases are artificially terraced and cultivated by us to reduce rainwater erosion during construction; only manual weeding is carried out in the field management. The grassland is removed in the principle of "removing large and leaving small" to protect the wild resources and the original ecological environment of the bases and thereby preserving biodiversity.

Furthermore, Datong Livzon has established an Astragalus membranaceus germplasm resource nursery in Hunyuan County. Based on the morphological characteristics of Astragalus membranaceus plants, such as flower color, stem color, leaf color, and presence of hair on the stem, Datong Livzon has collected over 20 varieties of wild astragalus germplasm within the producing area. Datong Livzon has maintained detailed records of the original location information for all germplasm, including collection sites, collection times, altitude, longitude and latitude, and growth method (cultivated or wild), and has photographed and prepared specimens for them. This preserves original data for research on biological genetic diversity, thus contributing positively to the protection of high-quality astragalus germplasm resources in the producing areas of genuine Astragalus membranaceus.

10.6 BIODIVERSITY CONSERVATION *(continued)*

Case: Protecting the ecological system of the Codonopsis pilosula cultivation base

To ensure the sustainability of the ecological environment of the Codonopsis pilosula cultivation base, Longxi Livzon, the Company's subsidiary, has conducted an in-depth analysis of the current ecological environment of the Codonopsis pilosula cultivation base and its causes, and has formulated the Environmental Biodiversity Conservation Plan for the Codonopsis Pilosula GAP Cultivation Base.

In enhancing awareness of ecological conservation, four national ministries and administrations jointly issued the Good Agricultural Practice for Chinese Crude Drugs in March 2022, and an advanced training class on GAP was organized in the same year. After attending the whole training course, the person in charge of Longxi Livzon developed an annual training plan. Longxi Livzon conducts GAP training for production personnel at the bases every year, focusing on issues such as pesticides, fertilizers, and plant growth regulators, and reinforcing the requirements for GAP and biodiversity conservation.

In managing and overseeing farmlands, Longxi Livzon has developed technical and operating procedures for the cultivation of Codonopsis pilosula medicinal materials. It follows up on supervision and implementation in a timely manner to regulate agricultural production practices. Additionally, Longxi Livzon regularly disseminates professional knowledge to farmers, laying a fundamental foundation for the sustainable development of the Codonopsis pilosula GAP bases.

In protecting farmland soil, Longxi Livzon takes various professional and efficient measures to enhance the ecological conservation of farmlands. Longxi Livzon conducts area-wide soil analysis of the planting area and makes targeted soil improvements to increase land fertility and yield while reducing land degradation and soil erosion. Moreover, Longxi Livzon effectively isolates the GAP cultivation bases from the surrounding plots by constructing isolation zones, to prevent pollution of the surrounding environment.

To prevent damage to soil microbiota caused by indigenous microorganisms carried in seeds and seedlings, Longxi Livzon conducts standard disinfection of seeds and seedlings by soaking in agents before planting or transplanting, thereby reducing planting risks. Meanwhile, to mitigate the ecological impact of plant growth regulators, Longxi Livzon incentivizes farmers to abandon the use of plant growth regulators through financial rewards and ensures their economic benefits in terms of production value, ultimately achieving the prohibition of growth regulators in the cultivation of traditional Chinese medicinal materials and realizing standardized GAP governance.

10.6 BIODIVERSITY CONSERVATION *(continued)*

We promote the concept of biodiversity conservation across all operations of the Group. While ensuring the normal operation and production of our enterprises, we actively implement various biodiversity conservation initiatives and reduce potential impact of our operations on biodiversity by greening the factory environment and other means, striving to become an eco-friendly enterprise.

Enterprise	Biodiversity Conservation Initiatives	
Sichuan Guangda	Construction of an in-park medicinal material valley	Within the park, Sichuan Guangda has constructed a Medicinal Material Valley covering an area of about 20,000 square meters. It is planted with medicinal materials and flowers, such as Lonicera japonica, Angelica dahurica, Curcuma aromatica, Ophiopogon japonicus, Polygonatum sibiricum, Acorus tatarinowii, Lilium brownii, Paeonia lactiflora, and Paeonia suffruticosa, as well as a variety of trees, such as ginkgo, willow, and orange trees. Climbing plants such as violets are grown in the pergola area, while in the fish pond area, koi, grass carp, lotus, and other aquatic plants and animals are bred, creating a multi-level, diversified ecological environment. Beyond serving as a leisure and recreation area for employees, the Medicinal Material Valley also provides a suitable habitat for the survival and reproduction of various butterflies, reptiles, migratory birds, and fish, conductive to enriching species diversity and protecting ecological environment.
Ningxia Pharma	Intensified greening of factory area	Since 2021, Ningxia Pharma has invested about RMB220,000 in greening the factory area. Within the factory area, Ningxia Pharma has planted 950 trees and 300 square meters of green hedges, and transplanted trees, including saplings, mature trees, shrubs, ground covers, hedges, and alfalfa, significantly optimizing the ecological environment within the factory area.

10.6 BIODIVERSITY CONSERVATION *(continued)*

Enterprise	Biodiversity Conservation Initiatives	
Fuzhou Fuxing	Intensified greening of factory area	Fuzhou Fuxing organizes tree planting activities every year. In 2023, Fuzhou Fuxing organized activities to plant trees and increase green plants, adding around 30 species of plants, including Ficus microcarpa, Bougainvillea spectabilis, Camellia japonica, Ficus benjamina, Ficus microcarpa Golden Leaves, and Podocarpus macrophyllus, totaling over 1,000 trees, and adding more than 300 pots of various potted flowers. In 2023, Fuzhou Fuxing achieved an additional greening area of approximately 5,000 square meters, bringing the total greening area of Fuzhou Fuxing to 30,000 square meters, enriching plant diversity.
Limin Factory	Intensified greening of factory area	Limin Factory integrates the concept of biodiversity conservation into the construction of factory area and continuously promotes greening efforts in the factory area. Extensive lawns and shrubs have been planted near the office and production areas, with a greening area of around 28,800 square meters. Additionally, Limin Factory has created a garden near the complex building where shrubs, vines, and other plants of different species and flowering seasons are planted. The greening workers regularly weed and turn the soil in the garden to provide a favorable habitat for the survival and reproduction of birds such as sparrows, butterflies, bees, snails, earthworms, and other creatures.
Gutian Fuxing	Intensified greening of factory area	During the Year, Gutian Fuxing organized management officers to plant more than 1,000 trees, including Photinia fraseri and Syringa oblata, along the roads in the factory area. While protecting the greenery in the factory area, this initiative enriches the diversity of plant species and optimizes the ecological environment around the factory area.

11

SOCIAL CONTRIBUTIONS

Bearing in mind its public welfare mission, Livzon, in strict accordance with external laws and regulations and the internal Management System for Charitable Donation, assumes its social obligations to serve the society by utilizing its own resources and strengths. Proactively engaging in public welfare programs, we empower rural revitalization by caring for chronic diseases and assisting the industries, help solve the problem of inequality in educational resources by donating to teachers and students in need, and take initiative to coordinate resources to support earthquake relief efforts, thereby making more contributions to promoting the construction of a healthy China and realizing common prosperity.

The Group pays close attention to social health and continues to increase investment in public welfare activities. During the Year, the expenditure of charitable donation of the Group amounted to RMB16.98 million, including cash donation of RMB13.50 million and in-kind donation worth RMB3.48 million.

Some Cases of Livzon's Charitable Donations in 2023

February 2023
RMB100,000 in cash
Hunan CITIC-Xiangya Assisted Reproduction Foundation

July 2023
RMB500,000 in cash
Red Cross Society of Jinwan District, Zhuhai City

March 2023
Leuprorelin Acetate Microspheres for Injection worth approximately RMB400,000
Shanxi Erwan Hospital

July 2023
RMB150,000 in cash
Red Cross Society of Jinwan District, Zhuhai City

June 2023
RMB100,000 in cash
Charity Federation of Qingyuan City

July 2023
RMB200,000 in cash
Red Cross Society of Zhuhai City

Some Cases of Livzon's Charitable Donations in 2023 *(continued)*

July 2023 RMB100,000 in cash Charity Federation of Qingyuan City	*November 2023* RMB100,000 in cash China Pharmaceutical University
September 2023 RMB100,000 in cash Education Development Charity Association of Jinwan District, Zhuhai City	*November 2023* RMB100,000 in cash Shenyang Pharmaceutical University
October 2023 RMB150,000 in cash China Pharmaceutical University Education Development Foundation	*December 2023* RMB10 million (including RMB5 million in cash and drugs worth approximately RMB5 million, including Anti-viral Granules, Diclofenac Potassium Capsules, Aciclovir Tablets, and Bismuth Potassium Citrate Capsules) Red Cross Society of Zhuhai City
November 2023 RMB100,000 in cash Sichuan University	

Note: The values of the items listed in the table represent their market value.

Some of Livzon's Charity-related Awards in 2023

Name of Award	Issued by
Bronze Cup of Guangdong Poverty Alleviation Red Cotton Cup in 2022	Rural Work Leading Group of CPC Guangdong Provincial Committee
Top Ten Caring Enterprises during "Guangdong Poverty Alleviation Day" in Jinwan District in 2022	Rural Work Leading Group of CPC Zhuhai Jinwan District Committee
2022 Humanitarian Award for Supporting Red Cross Initiatives and Social Donations	Red Cross Society of Zhuhai City
2022 "Caring Enterprise" on "June 30" Poverty Alleviation Day in Zhuhai	Zhuhai Rural Revitalization Bureau (Office for "June 30" Poverty Alleviation Day)
2023 Most Dedicated in Firefighting in Hezhou New District–Advanced Collective	Office of the Fire Safety Committee of the Preparatory Group (Wanshan Marine Development Experimental Zone) in Hezhou New District

11.1 CHRONIC DISEASES CARE

Since 2018, in active response to the national strategic plan for rural revitalization and healthy China, Livzon and its controlling shareholder, Joincare Pharmaceutical Industry Group Co., Ltd. ("Joincare"), have long leveraged industrial strengths to continuously implement, deep in rural areas, the "Public Welfare Program for Prevention and Treatment of Chronic Diseases" by providing substantial support to populations in remote regions who live in poverty due to illness or slip back into poverty due to illness, donating medicines to people with chronic diseases in financial difficulties, and relieving the medical burden of patients' families in financial difficulties. Currently covering 8 provinces and 4 autonomous regions across the country, the program has contributed to building the national chronic disease prevention and control system and is committed to building a new paradigm of social health co-governance.

Over the years, Livzon has continued to expand its footprint of responsibility for chronic disease prevention and treatment to keep building a solid shield for public health. Since late 2018 onwards, with the support of local government at different levels and relevant competent authorities, the "Public Welfare Program for Prevention and Treatment of Chronic Diseases" has been successfully implemented successively in regions, including Chaotian District of Guangyuan City in Sichuan Province, Songpan County of Ngawa Tibetan and Qiang Autonomous Prefecture in Sichuan Province, Jinkouhe District of Leshan City in Sichuan Province, Jiange County and Pingwu County in Sichuan Province, Hunyuan County, Guangling County and Lingqiu County of Datong City in Shanxi Province, Dongxiang County, Tianzhu County, Linze County, Shandan County, and Huining County in Gansu Province, Xianghai National Nature Reserve in Jilin Province, Chayu County in Tibet Autonomous Region, Macun District of Jiaozuo City in Henan Province, Huangshan District of Huangshan City in Anhui Province, Suining County in Hunan Province, Fenyi County in Jiangxi Province, Kashgar City in Xinjiang Uyghur Autonomous Region, Bairin Left Banner and Togtoh County in Inner Mongolia, Ziyuan County in Guangxi Zhuang Autonomous Region, etc.

As at the end of the Reporting Period, the Company had donated drugs worth RMB1 million to the low-income people with chronic diseases in each of the above-mentioned regions for the treatment of chronic diseases, such as hypertension, hyperlipidemia, cardiovascular and cerebrovascular diseases and gastric disease, with the aim of reducing the expenses in chronic disease treatment in the said regions and relieving the medical burden of patients' families in financial difficulties. This long-term drug donation program included donation of 5 kinds of drugs, specifically, Pravastatin Capsules (普伐他汀鈉膠囊), Isosorbide Mononitrate Tablets (單硝酸異山梨酯片), Amlodipine Besylate Capsules (苯磺酸氨氯地平膠囊), Valsartan Capsules (纈沙坦膠囊), and Bismuth Potassium Citrate Tablets (枸櫞酸鉍鉀片).

11.1 CHRONIC DISEASES CARE *(continued)*

As at the end of the Reporting Period, the Company had entered into a total of 26 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases (among which, with 23 remote regions in need of support), covering 8 provinces and 4 autonomous regions across the country, and had helped nearly 20,000 low-income people with chronic diseases. In 2024, we plan to donate drugs to more regions in need.

- In April 2023, the Company donated drugs worth RMB1 million to Kashgar City in Xinjiang Uygur Autonomous Region;
- In June 2023, the Company donated drugs worth RMB1 million to Huining County in Gansu Province;
- In July 2023, the Company donated drugs worth RMB1 million to Bairin Left Banner in Inner Mongolia Autonomous Region;
- In July 2023, the Company donated drugs worth RMB1 million to Ziyuan County in Guangxi Zhuang Autonomous Region;
- In September 2023, the Company donated drugs worth RMB1 million to Jinkouhe District of Leshan City in Sichuan Province;
- In October 2023, the Company donated drugs worth RMB1 million to Shandan County in Gansu Province;
- In October 2023, Company donated drugs worth RMB1 million to Togtoh County in Inner Mongolia Autonomous Region;
- In January 2024, the Company donated drugs worth RMB1 million to Bomi County in Tibet Autonomous Region.

11.2 INDUSTRIAL ASSISTANCE

To facilitate the sustainability of the rural economy, the Group has formulated and implemented the plan of "Astragalus Membranaceus (黃芪) Industry Revitalization". Adopting the model of "Company + Base" and "Company + Specialty Cooperative", the Group aims to drive local cultivation and processing of Astragalus membranaceus, build a genuine medicinal material industry for Astragalus membranaceus adapted to local conditions, and accelerate the construction of the "Chinese Medicine Ecological Base". In this way, a long-lasting and pillar industry for wealth generation will be created, and a new path to prosperity through the development of the distinctive Astragalus membranaceus industry will be forged.

"Astragalus Membranaceus Industry Revitalization" has continued since 2017. Datong Livzon Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司) ("Datong Livzon"), a subsidiary of the Company, has self-built Astragalus membranaceus cultivation bases in Hunyuan County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province. In 2023, Datong Livzon renewed agreements on jointly building Astragalus membranaceus cultivation bases with 12 cooperatives in Hunyuan County, Tianzhen County, and Yanggao County of Datong City, Shanxi Province and Yulin City, Shaanxi Province. Covering an area of approximately 20,000 mu, these bases have assisted approximately 415 people since 2017, effectively promoting the economic development of the areas concerned in Datong, Shanxi and Yulin, Shaanxi.

During the Reporting Period, in view of the national "rural revitalization strategy", Datong Livzon launched the project of "Joint Construction by Village and Enterprise" with the village committee of Mazhuang Village in Guan'er Township, Hongyuan County of Datong City in Shanxi Province. The project aimed at refurbishing and modifying the primary processing plant in the cultivation base and producing area of Astragalus membranaceus to meet the requirements for primary processing and storage of Astragalus membranaceus. In addition, Datong Livzon conducted GAP training for about 30 managers and leading farmers of the jointly built base in Zizhou County of Yulin City in Shaanxi Province on the new version of the Good Agricultural Practice for Chinese Crude Drugs. It also conducted on-site technical guidance and practical training on the traceability of traditional Chinese medicinal materials, assisting in the preliminary plot planning work for traceability of medicinal materials.

Industrial cultivation base of Astragalus membranaceus in Datong City, Shanxi Province

11.2 INDUSTRIAL ASSISTANCE *(continued)*

Additionally, the Company actively purchases agricultural and sideline products from areas that have been lifted out of poverty as a key approach to paired assistance and consumption assistance to effectively ensure sustained income growth in rural areas that have been lifted out of poverty.

As at the end of the Year, the Company has consecutively purchased quality agricultural products from Linquan County, Anhui Province, for two years. In 2023, the Company made a one-time purchase of 14,000 liters of blended oil, 750 kilograms of braised pork trotters, and 260 kilograms of spiced beef from local enterprises. These agricultural products purchased are all supplied to the Company's canteens and distributed as complimentary dishes to employees as a welfare benefit.

Moving forward, the Company remains committed to actively fulfilling corporate social responsibility, consistently supporting the consolidation of the gains in poverty elimination and the revitalization of rural industries with practical actions.

11.3 EDUCATION SUPPORT

Talent plays a strategic role in driving social and economic development, and education is an important way to cultivate diverse talent, pass on technical skills, and promote employment and entrepreneurship. Livzon has always paid close attention to the working and living conditions of students and teachers in need in remote areas so as to actively respond to the national call for supporting high-quality education development in rural areas through public welfare activities such as donations to schools.

During the Reporting Period, we continued to increase investment in education support, and made charitable donations to Sichuan University, Shenyang Pharmaceutical University, China Pharmaceutical University, the Education Development Charity Association of Jinwan District, Zhuhai City, the Red Cross Society of Chishui City, and Baima Primary School in Maoming City, among others.

11.3 EDUCATION SUPPORT *(continued)*

Case: Subsidizing students in need in Chishui City, Guizhou Province

In August 2023, the Company, through the Red Cross Society of Jinwan District, Zhuhai City, donated RMB500,000 to the Red Cross Society of Chishui City in Guizhou Province, earmarked for poverty alleviation, educational support, and other public welfare activities. A portion of the donation funds will be used to subsidize transportation and accommodation expenses for students from financially challenged families, while another portion will be allocated to support needy university students to effectively ease the financial strain on impoverished families and offer substantial assistance for disadvantaged students to access higher-quality education.

Case: Supporting high-quality development of education in Jinwan via education scholarships

In September 2023, the Company donated RMB100,000 to the Education Development Charity Association of Jinwan District, Zhuhai City (as part of an agreement to donate a total of RMB300,000, with annual payments of RMB100,000), intended for poverty alleviation, education scholarships, and other activities. A total of 131 outstanding teachers, 54 outstanding form teachers, 42 model teachers in ethics, 62 outstanding education workers, 12 advanced education groups, and 18 excellent academic subject groups across the district were recognized and incentivized for their contributions, propelling the high-quality development of education in Jinwan District.

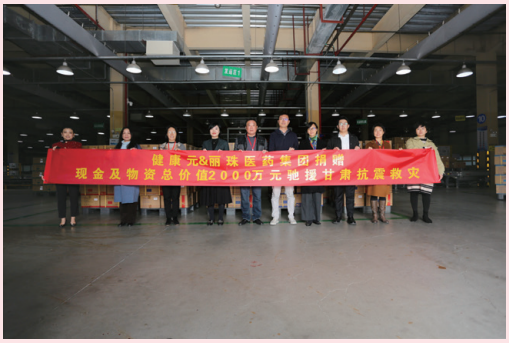
11.4 DISASTER RELIEF

On top of engaging in public welfare activities, Livzon proactively undertakes corporate social responsibilities and actively participates in disaster relief efforts by leveraging the Group's resources to contribute to the restoration of normal life in affected areas and communities.

Case: Donation of RMB10 million for the Gansu earthquake

On 18 December 2023, a 6.2 magnitude earthquake struck Jishishan County in Linxia Prefecture, Gansu Province. Upholding the spirit of "one in trouble, all to help", the Company quickly mobilized, coordinating personnel and resources for relief efforts. On the morning of 20 December 2023, through the Red Cross Society of Zhuhai City, we donated a total of RMB10 million in relief funds and medical supplies to the earthquake-stricken area, including RMB5 million in cash and drugs worth approximately RMB5 million.

The donated drugs included Anti-viral Granules(抗病毒顆粒), Shexiang Shuhuoling(麝香舒活靈), Diclofenac Potassium Capsules(雙氯芬酸鉀膠囊), Aciclovir Tablets(阿昔洛韋片), Bismuth Potassium Citrate Capsules(枸櫞酸鉍鉀膠囊), and Roxithromycin Dispersible Tablets(羅紅霉素分散片), intended for related efforts such as emergency relief, resettlement of affected populations, support for rescue teams, post-disaster reconstruction, etc.



Drops of love join to make a warm stream, and everyone acts to light up the hope for the society. Livzon firmly believes that only enterprises that actively assume and fulfill their social responsibilities can achieve more enduring and solid progress. In the future, we will continue our efforts in social and public welfare to spread the message of warmth and hope.

12

APPENDIX

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A1. Emissions	Environmental Protection Law of the PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC Water Pollution Prevention and Control Law of the PRC Atmospheric Pollution Prevention and Control Law of the PRC Environmental Protection Tax Law of the PRC Soil Pollution Prevention and Control Law of the PRC Regulations on the Prevention and Control of Environmental Pollution by Solid Waste of Guangdong Province National Catalogue of Hazardous Wastes (2021) Administrative Regulations for Urban Construction Waste Environmental Impact Assessment Law of the PRC Administrative Rules of Environmental Protection for Construction Projects Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2023) Technical Guideline for Deriving Hazardous Waste Management Plans and Records (HJ1259-2022) Administrative Measures for Hazardous Waste Transfer Self-monitoring Technology Guidelines for Pollution Sources–General Rule	Identification and Assessment Requirements of Environmental Factors Procedures for Air Emission Management Procedures for Noise Emission Management Procedures for Solid Waste Management Procedures for Hazardous Chemicals Management Procedures for Wastewater Management Soil Pollution Hazard Investigation System Guidelines for Management of EHS Changes "Three-Waste" and Noise Management System Hazardous Waste Management System Environmental, Occupational Health, and Safety Management Policy

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A1. Emissions	Self-monitoring Technology Guidelines for Pollution Sources– Pharmaceutical Industry Chemical Synthesis Products Category Standard for Pollution Control on the Non-Hazardous Industrial Solid Waste Storage and Landfill (GB18599-2020) Guideline for Deriving General Industrial Solid Waste Management Records (Interim) Regulations on the Administration of Pollutant Discharge Permits Guidelines for the Identification of Potential Soil Pollution Hazards in Key Regulatory Units (Interim) Administrative Measures for the Legal Disclosure of Enterprise Environmental Information Administrative Measures for the List of Key Units Subject to Environmental Supervision Guideline on Available Techniques of Pollution Prevention and Control for Pharmaceutical Industry — Active Pharmaceutical Ingredients (Fermentation, Chemical Synthesis, Extraction) and Preparation Categories (HJ1305-2023) Discharge Standard of Water Pollutants for Pharmaceutical Industry Fermentation Products Category (GB 21903-2008) Emission Standards for Odor Pollutants (GB14554-2018) Technical Specifications for Collection, Storage, Transportation of Hazardous Waste Emission Standard for Industrial Enterprises Noise at Boundary	

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A2. Use of Resources	Energy Conservation Law of the PRC Circular Economy Promotion Law of the PRC	Procedures for Resources Management Procedures for Energy Management Energy Management System Environmental, Occupational Health, and Safety Management Policy
A3. The Environment and Natural Resources	Environmental Protection Law of the PRC Energy Conservation Law of the PRC Forestry Law of the PRC Regulations on the Implementation of the Forestry Law of the PRC Regulations on Restoring Farmland to Forest Measures for the Administration of Regenerative Felling of Forests Water Law of the PRC Regulations of the PRC on the Protection of Wild Plants Regulations on Protection of Wild Medicinal Resources Law of the People's Republic of China on the Protection of Wildlife	General Requirements of EHS Management System Environmental Hygiene Management System for Factory Area Soil Pollution Hazard Investigation System Contingency Plan for Environmental Emergency EHS "Three Simultaneous" Management System for Construction Projects Environmental Protection Responsibility System Environmental Performance Appraisal and Reward and Punishment System Environmental, Occupational Health, and Safety Management Policy

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A4. Climate Change	Opinions of the Central Committee of the Communist Party of China and the State Council on Completely, Accurately, and Comprehensively Implementing the New Development Concept and Doing a Good Job in Carbon Peaking and Carbon Neutrality Action Plan for Carbon Peaking Before 2030 14th Five-Year Plan for Development of Pharmaceutical Industry	Contingency Plans for Extreme Weather Abnormal Weather Management Regulations Contingency Command Plans for Typhoon Prevention Contingency Plans for Production Safety Accidents Climate Change Management System Administrative Measures for Contingency Plans for Emergency
B1. Employment	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC Provisions on the Prohibition of Using Child Labor Individual Income Tax Law of the PRC	Labor Employment Management System Recruitment Management System Employee Retirement Reward Scheme Board Diversity Policy Remuneration Management System Administrative Measures for Remuneration Adjustment Provisions on the Base Salary of Fresh Graduates Administrative Measures for Job Grades Code of Labor Employment and Ethical Conduct Administrative Measures for Technical Sequence Positions Administrative Measures for the Performance of Functional Head Offices Employee Grievance Management System

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B2. Health and Safety	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC Work Safety Law of the PRC Law of the PRC on the Prevention and Control of Occupational Diseases Fire Prevention Law of the PRC Construction Law of the PRC Biosecurity Law of the PRC Special Equipment Safety Law of the PRC Regulations on the Supervision and Administration of the Implementation of Safety Responsibility by Special Equipment Users	General Requirements of EHS Management System Administrative Measures for EHS Accidents EHS Meeting and Inspection Management System Administrative Measures for EHS Information and Communication Management System for Identifying Hazard Sources and Grading and Controlling Safety Risks Regulations on Work Safety Penalties Work Safety Training Management System Work Safety Responsibility Management System Administrative Measures for Contingency Plans for Emergency Administrative Procedures for Occupational Health

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B2. Health and Safety	Regulations on Reporting, Investigation, and Handling of Special Equipment Accidents Standards for Determining Major Accident Hazards in Industrial and Trade Enterprises General Rules for the Storage of Hazardous Chemicals in Warehouses Regulations on the Safety Management of Hazardous Chemicals Code for Fire Protection Design of Buildings (GB50016-2014) 2018 Edition Fire Protection Standards for Engineering Design of Fine Chemical Enterprise (GB51283-2020) Standard for Fire Prevention Design of Petrochemical Enterprises (GB50160-2008) 2018 Edition General Code for Fire Protection of Buildings and Constructions (GB55037-2022) Standard of Construction Safety Inspection	Contingency Plans for Production Safety Accidents Contingency Command Plans for Typhoon Prevention EHS Culture of Livzon Group Management System for Investigating and Managing Accidental Hazards Contractor Safety Management System EHS "Three Simultaneous" Management System for Construction Projects Administrative Procedures for EHS Targets and Indicators Ten Prohibitions for Work Safety Environmental, Occupational Health, and Safety Management Policy

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B3. Development and Training	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC	Work Safety Training Management System Administrative Measures for Administrative and Technical Sequences Quarterly Assessment and Incentive Plan for R&D Units (Interim) Administrative Regulations on Employee Learning and Growth Training Management System Administrative Procedures for Training Appraisal and Evaluation Administrative Procedures for Quality Control Laboratory Training Administrative Procedures for Personnel Qualification Confirmation
B4. Labor Standards	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC Special Regulations on Labor Protection of Female Employees Regulations on Medical Treatment Periods for Enterprise Employees with Illnesses or Non-work-related Injuries	Labor Employment Management System Recruitment Management System Code of Labor Employment and Ethical Conduct Employee Grievance Management System

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B5. Supply Chain Management	Company Law of the PRC E-commerce Law of the PRC Tendering and Bidding Law of the PRC Implementation Guide for Traditional Chinese Medicine Traceability System Traditional Chinese Medicine Traceability Information Requirements – Cultivation of Traditional Chinese Medicinal Materials Traditional Chinese Medicine Traceability Information Requirements – Production of Traditional Chinese Medicine Tablets Good Agricultural Practice for Chinese Crude Drugs Guideline for Cold Chain (Transportation, Storage) Management of Medical Devices	Administrative Procedures for Supplier Standard Administrative Procedures for Supplier Audit Code of Practice for On-site Supplier Quality Audit Catalogue of Qualified Material Suppliers Catalogue of Shortlisted Material Suppliers Administrative Measures for Material Procurement Material Management System Administrative Measures for Centralized Procurement of Bulk and General-purpose Materials Implementation Rules for Bidding for Construction Projects Implementation Rules for Bid Evaluation of Centralized Procurement of Construction Projects Operating Guidelines for Tender Announcement of Materials and Service Projects on the Official Website Operating Strategies for Tender Announcement of Materials Operating Guidelines for Internal Mall Procurement Rules Applicable to External Sourcing of Non-Productive Materials and New Product Materials Rules on Integrity in Bid Evaluation Administrative Measures for Joint Audit of Suppliers

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B5. Supply Chain Management		Administrative Measures for Supplier Entry Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal Administrative Measures for Electronic Procurement Supplier Risk Management System Administrative Procedures for Energy Conservation and Emission Reduction for Suppliers Administrative Procedures for Supplier EHS Audit Supplier Commitment for Operating with Integrity Administrative Measures for Construction Project Suppliers Anti-Corruption and Anti-Commercial Bribery Regulations Administrative Measures for Whistleblowing and Complaint Staff Commitment for Anti-Corruption and Anti-Commercial Bribery Administrative Measures for Cooperative Service Providers Code of Conduct for Suppliers

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Patent Law of the PRC Trademark Law of the PRC Copyright Law of the PRC Drug Administration Law of the PRC Good Manufacturing Practice (GMP) EU GMP Annex 1: Manufacture of Sterile Products (13th Edition) Good Laboratory Practice (GLP) Good Clinical Practice (GCP) Good Supply Practice (GSP) Pharmacopoeia of the PRC Provisions for Drug Registration	Procedures for Establishment of Independent Research and Development Projects Quality Management System Procedures for Drug Inspection and Acceptance Unqualified Product Management System Adverse Drug Reaction Reporting and Monitoring Management System Returned Product Management System Drug Traceability Management System Ten Prohibitions on QC Laboratory Management Administrative Measures for Quality Incidents Contingency Handling Procedures for Sampling Inspection Measures for Cross-examinations among R&D Enterprises

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Provisions for the Supervision and Administration of Drug Manufacturing Administrative Measures for Drug Recalls Regulations on Protection of Traditional Chinese Medicines Advertising Law of the PRC Implementation Rules on the Drug Administration Law of the PRC Provisions for Drug Package Inserts and Labels Provisions for the Change Management of Post-approval Drugs (Interim) Good Pharmacovigilance Practice (GVP) Administrative Measures for Drug Inspection (Interim) Vaccine Administration Law of the PRC Personal Information Protection Law of the PRC	Measures for Cross-examinations among Drug Preparations Manufacturing Enterprises Management System for Marketing Authorization Holder Administrative Procedures for Quality Internal Audit Administrative Procedures for Quality Complaints Administrative Procedures for Quality Information Management Rules for Qualified Persons Administrative Procedures for TCM Pre-treatment and Extraction Workshop Shared among Enterprises within Livzon Group Administrative Measures for Clinical Audit and Procedure Administrative Procedures for Quality Risks Operating Procedures for Product Recalls Contingency Plans for Material Product Safety Incidents

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Law of the PRC on Traditional Chinese Medicine Technical Guideline for the Revision of Safety Information Items in Package Inserts of Marketed Traditional Chinese Medicines (Interim) Technical Guidelines for the Compilation of Information Related to Children's Drug Use in the Instructions of Chemical Drugs and Therapeutic Biological Products (Interim) Regulations on the Supervision and Administration of Medical Devices Regulations on the Administration of Veterinary Drugs Good Manufacturing Practice for Veterinary Drugs Good Clinical Practice for Medical Devices Administrative Regulations on the Package Inserts and Labels of Medical Devices Administrative Measures for Veterinary Drug Package Inserts and Labels Chinese Veterinary Pharmacopoeia Measures for the Registration of Veterinary Drugs Administrative Measures for Medical Advertisements	Administrative Measures for Joint Audit on Commissioned Research Institution Administrative Measures for Joint Audit of Material Supplier Management Procedures for Design, Audit, Purchasing and Use of Package Inserts and Labels Product Packaging Label Identification Code Management Procedures Management Procedures for Design, Review and Printing of Product Packaging Administrative System of Quality Enquiry Administrative System of After-sale Quality Complaints Procedures for Adverse Event Monitoring and Control Code of Conduct for Interaction with Healthcare Professionals Administrative Regulations on Meetings Related to Healthcare Professionals Anti-Corruption Code of Conduct in the Marketing System Responsible Marketing Policy of the Sales Center of API Business Department

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Measures for Drug Advertisement Review Implementation Measures for Early Settlement Mechanism of Drug Patent Disputes (Interim) Provisions on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Patent Disputes Related to Drugs of Which Applications for Registration are Filed General Data Protection Regulations (GDPR) Work Procedures for Drug Registration Inspection (Trial) Key Points and Determination Principles of Drug Registration Inspection (Pharmacological and Toxicological Study) (Trial) Key Points and Determination Principles of Drug Registration Inspection (Drug Clinical Trials) (Trial) Key Points and Determination Principles of Drug Registration Inspection (Pharmaceutical Development and Manufacturing Site) (Trial) Quality Management System–Requirements (GB/T 19001-2016) Regulations for the Administration of Affairs Concerning Laboratory Animals	Packaging Design and Verification Workflow for Overseas Sales of Drug Preparations Workflow for Protection of Drug Clinical Trial Data Administrative Procedures for Printing and Packaging Materials Patent Workflow and Trademark Management System Administrative Procedures for Contamination Control Strategy (CCS) of Pharmaceutical Products Management Procedures for the Handling of Individual Case Safety Reports of Pre-approved Drugs Standards of Vulnerability Management Standards of Password Management Standards of Special Account Management Standards of Internet Security Management Administrative Regulations on Network Access Provisions of Document Encryption

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Guidance Suggestions for the Care and Use of Laboratory Animals Biosecurity Law of the PRC Civil Code of the PRC Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products National Medical Products Administration Announcement on Strengthening Supervision and Management of Contract Manufacturing by Marketing Authorization Holder Regulations on the Supervision and Administration of Marketing Authorization Holder Implementing Main Responsibility of Drug Quality and Safety Notice on the Standard Use of Drug Names in Drug Advertisements Administrative Measures for the Clinical Application of Anti-bacterial Drugs Guidelines for the Clinical Application of Anti-bacterial Drugs	Standards of E-mail System Intrusion Analysis and Emergency Response Administrative Procedures for Quality Risks Procedures for Laboratory Animal Ethics Management Responsible Marketing Policy of Livzon Group Information System Operation and Maintenance Management System Information System Management System Emergency Response Management System Incident Response Plan of Data Breach Procedures for Management of QR Codes for Active Pharmaceutical Ingredients (APIs)

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Directories for the Classification Management of Clinical Application of Anti-bacterial Drugs Notice on Further Strengthening the Management of Anti-Microbial Drugs to Suppress Drug Resistance Detailed Rules for Drug Packaging and Labeling Standards Provisions for Supervision and Administration of Online Medical Device Sales Provisions for Supervision and Administration of Medical Device Manufacturing Good Manufacturing Practice for Medical Devices Provisions for Supervision and Administration of Medical Device Distribution Good Agricultural Practice for Chinese Crude Drugs	Standard Operating Procedures for the Collection and Upload of QR Codes for Veterinary Drugs Standard Operating Procedures for the Use and Maintenance of QR Codes Management System for Hazard Investigation Contingency Plans for Work Safety Administrative Procedures for Pharmacovigilance System Administrative Procedures for Reporting Drug Safety Information Operating Procedures for Reporting Post-Approval Individual Case Safety of Drugs Operating Procedures for Handling Drug Safety Incidents

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B7. Anti-corruption	Criminal Law of the PRC Anti-Unfair Competition Law of the PRC Interim Provisions on Banning Commercial Bribery Notice on Serious Investigation and Punishment and Proactive Prevention of Duty Crime in Food and Drug Supervision Audit Law of the PRC Regulations of the Audit Office on Internal Audit Work Labor Law of the PRC Labor Contract Law of the PRC Company Law of the PRC Basic Standard for Enterprise Internal Control Application Guidelines for the Accounting Standards for Business Enterprises	Interim Provisions on Anti-Fraud Anti-Corruption and Anti-Commercial Bribery Regulations Code of Conduct for Sales Personnel of Livzon Group Administrative Measures for Construction Project Establishment Administrative Measures for Construction Project Settlement Implementation Rules for Bid Evaluation of Centralized Procurement of Construction Projects Implementation Rules for Bidding for Construction Projects Material Management System Administrative Measures for Material Procurement Administrative Measures for Approval of Allocation and Write-off of Idle Materials (Interim) Administrative Measures for Centralized Procurement of Bulk and General-purpose Materials Code of Professional Ethics for Employees Internal Audit Work System

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(continued)*

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B7. Anti-corruption		Administrative Measures for Whistleblowing and Complaint Corporate Internal Control Guidelines Code of Professional Ethics for Internal Auditors Staff Commitment for Anti-Corruption and Anti-Commercial Bribery Supplier Commitment for Operating with Integrity Labor Employment Management System Code of Labor Employment and Ethical Conduct Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal Administrative Measures for Construction Project Suppliers Employee Grievance Management System Administrative Regulations on Staff Integrity
B8. Community Investment	Charity Law of the PRC	Management System for Charitable Donation

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS

ESG Indicator	Unit	2021	2022	2023
A Environmental[1]				
A1 Emissions[2]				
A1.1 Types of emissions and respective emission data				
Industrial wastewater	tonne	4,222,683.5	4,530,994.9	4,921,781.5
Chemical Oxygen Demand (COD_{cr})	tonne	269.5	259.0	246.3
Ammonia nitrogen	tonne	14.9	9.3	10.6
Volatile organic compounds (VOC_s)	tonne	46.4	26.4	35.5
Nitrogen oxides (NO_X)	tonne	135.7	101.2	81.6
Sulphur dioxide (SO_2)	tonne	45.4	29.4	34.1
Particulate matter	tonne	22.9	16.5	12.4
A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity				
Direct greenhouse gas emissions (Scope 1)[3]	CO_2 equivalent (in tonnes)	193,239.7	196,398.1	155,807.28
Indirect greenhouse gas emissions (Scope 2)[4]	CO_2 equivalent (in tonnes)	342,591.8	369,261.9	358,525.65
Total greenhouse gas emissions	CO_2 equivalent (in tonnes)	535,831.5	565,660.0	514,332.93
Intensity of greenhouse gas emissions[5]	CO_2 equivalent (in tonnes)/ RMB10,000	0.4	0.395	0.365

1 Environmental data disclosure covers all manufacturing enterprises of Livzon.

2 Disclosure of major pollutants/emissions by type and respective emission data according to the production characteristics of enterprises.

3 Scope 1 greenhouse gas ("GHG") emissions are mainly derived from direct GHG emissions from the consumption of fossil fuels in the company's operations/production processes (e.g. gasoline, diesel, natural gas, etc.). Emission factors and calculation methods refer to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Industrial Enterprises in Other Industries (Trial). The formula used is: CO_2 emissions from fossil fuel = fuel consumption × low level heat generation × carbon content per unit of calorific value × fuel carbon oxidation rate × 44/12.

4 Scope 2 GHG emissions are mainly derived from indirect GHG emissions from purchased electricity and steam consumed by the company's operations/production processes, calculated with reference to the document "Appendix 2: Reporting Guidance on Environmental KPIs" of the Hong Kong Stock Exchange. Specifically, the power emission factor for 2021-2022 adopts the grid emission factor 0.5810 tCO_2/MWh in the "Corporate Greenhouse Gas Emission Accounting Methodology and Reporting Guide for Power Generation Facilities (企業溫室氣體排放核算方法與報告指南發電設施)" (Huan Ban Qi Hou [2021] No. 9), and the power emission factor for 2023 adopts the grid emission factor 0.5703 tCO_2/MWh in the Notice on Carrying out Greenhouse Gas Emission Reporting and Verification for Selected Key Industries for the Years 2023-2025.

5 The intensity in 2021-2023 was all calculated based on RMB10,000 of output value.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator	Unit	2021	2022	2023
A Environmental[1]				
A1 Emissions[2]				
A1.3 Total hazardous waste produced and intensity				
Total hazardous waste[6]	tonne	3,237.5	3,532.3	2,708.2
Hazardous waste intensity[5]	kg/RMB10,000	2.5	2.5	1.92
Of which: medical waste (HW02) and waste medicines (HW03)	tonne	1,789.2	1,954.0	1,676.1
Other hazardous waste[7]	tonne	1,448.3	1,578.3	1,032.0
Disposal method:				
Total hazardous waste recycled/reused	tonne	Not disclosed	844.3	423.0
Total hazardous waste disposed	tonne	Not disclosed	2,688.0	2,285.2
A1.4 Total non-hazardous waste produced and intensity				
Total non-hazardous waste[8]	tonne	118,154.8	114,580.9	103,491.2
Non-hazardous waste intensity[5]	kg/RMB10,000	92.2	80.0	73.40
Disposal method:				
Total non-hazardous waste recycled/reused[9]	tonne	1,853.0	10,830.5	47,261.9
Total non-hazardous waste disposed	tonne	116,301.8	103,750.4	56,229.3

6 Total hazardous waste = total hazardous waste recycled/reused + total hazardous waste disposed

7 No high-level radioactive waste, in particular, was released during 2021 to 2023.

8 Total non-hazardous waste = total non-hazardous waste recycled/reused + total non-hazardous waste disposed

9 The total non-hazardous waste recycled/reused in 2023 increased significantly compared to the previous year due to the Group's continuous improvements in production processes and introduction of non-hazardous waste recycling technology and equipment in 2023, which led to an increase in the amount of non-hazardous waste recycled/reused.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator	Unit	2021	2022	2023
A Environmental[1]				
A2 Use of Resources				
A2.1 Direct and indirect energy consumption by type in total and intensity				
I. Non-renewable energy				
1. Direct energy				
Gasoline	liter	284,665.6	219,086.4	266,040.5
Diesel	liter	328,065.6	165,774.7	206,607.4
Coal	tonne	86,291.0	88,244.2	66,894.5
Natural gas	10,000 cubic meters	598.6	584.5	689.8
Liquefied petroleum gas	tonne	7.9	6.8	3.7
2. Indirect energy				
Purchased electricity	kWh	398,439,861.9	423,624,184.5	416,608,822.9
Of which: intensity of purchased electricity[5]	kWh/RMB10,000	311.1	295.9	295.48
Purchased steam	tonne	376,140.5	416,061.3	411,261.6
Total non-renewable energy consumption	MWh	Not disclosed	1,324,392.2	1,199,298.2

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator	Unit	2021	2022	2023
A Environmental[1]				
A2 Use of Resources				
A2.1 Direct and indirect energy consumption by type in total and intensity				
II. Renewable energy				
1. Direct energy				
Alcohol based liquid fuel	tonne	0.0	0.0	0.0
Biomass fuel	tonne	14.4	9.9	1,004.0
Solar power (self-use)	kWh	692,280.0	1,044,773.0	431,250.0
2. Indirect energy				
Solar power (purchased)	kWh	Not disclosed	235,701.0	1,192,325.8
Total renewable energy consumption	MWh	Not disclosed	1,320.8	5,708.2
III. Total energy consumption[10]				
1. Direct energy consumption[11]	MWh	572,945.5	580,898.6	472,417.4
2. Indirect energy consumption[12]	MWh	687,587.4	744,814.4	732,589.0
Total energy consumption[10]	MWh	1,260,532.9	1,325,713.0	1,205,006.4
Intensity of total energy consumption[5]	MWh/RMB10,000	1.0	0.9	0.85

10 Total energy consumption = total non-renewable energy consumption + total renewable energy consumption

11 Direct energy consumption (unit: MWh) is derived from gasoline, diesel, coal, natural gas and other relevant direct energy consumption.

12 Indirect energy consumption (unit: MWh) is derived from purchased electricity, purchased steam and solar power (purchased), which were calculated by referring to the "General Rules for Calculation of The Comprehensive Energy Consumption" (GB2589-2020).

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator	Unit	2021	2022	2023
A Environmental[1]				
A2 Use of Resources				
A2.2 Water consumption in total and intensity				
Consumption of municipal water supplies (or from other water utilities) (A)	tonne	Not disclosed	5,189,580.3	4,452,079.5
Fresh surface water consumption (B)	tonne	Not disclosed	243,835.0	179,227.0
Fresh groundwater consumption (C)	tonne	Not disclosed	215,184.0	1,573,530.0
Fresh water consumption = A+B+C	tonne	6,096,512.8	5,648,599.3	6,204,836.5
Alternative water consumption[13]	tonne	Not disclosed	0	0
Total water consumption[14]	tonne	Not disclosed	5,648,599.3	6,204,836.5
Intensity of water consumption (fresh water)[5]	tonne/RMB10,000	4.8	4.0	4.40
Reclaimed water consumption	tonne	2,400	64,836	91,952.0
Water recycling rate	%	Not disclosed	4.79	3.21
A2.5 Total packaging material used for finished products and with reference to per unit produced				
Paper packaging material	tonne	3,791.5	4,829.83	6,128.75
Other packaging material	tonne	6,370.8	8,288.08	7,988.44
Total packaging material used	tonne	10,162.3	13,117.91	14,117.20
Intensity of packaging material used[5]	kg/RMB10,000	7.9	9.16	10.01

[13] Alternative water sources include seawater, brackish water, rainwater and gray water.

[14] Total water consumption = fresh water consumption + alternative water consumption

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator		Unit	2021	2022	2023
B Social					
B1 Employment					
B1.1 Total workforce by gender, employment type, age group and geographical region					
Total number of employees		person	8,580	9,005	8,933
Gender	Male	person	4,492	4,728	4,703
	Female	person	4,088	4,277	4,230
Employee category	General manager level and above	person	84	80	81
	Director level	person	182	168	183
	Manager level	person	850	908	897
	Other employees	person	7,464	7,849	7,772
Age	30 and below	person	3,191	3,424	3,226
	31-49	person	4,931	5,066	5,156
	50 and above	person	458	515	551
Geographical region	China's mainland	person	8,569	8,991	8,921
	Hong Kong, Macao and Taiwan of China	person	2	3	2
	Foreign nation	person	9	11	10

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator	Unit	2021	2022	2023
Diversity				
Number of ethnic minority employees[15]	person	Not disclosed	540	547
Share of ethnic minority employees	%	Not disclosed	6.0	6.1
Share of ethnic minority employees in management[16]	%	Not disclosed	3.4	3.1
Number of women in management[16]	person	Not disclosed	397	415
Share of women in management[16]	%	Not disclosed	34.3	35.7
Number of employees in executive management[17]	person	8	8	7
Number of women in executive management	person	2	2	2
Share of women in executive management	%	25.0	25.0	28.6
Average share of women in executive management in each of the past three years	%	25.0	25.0	26.2
Share of women at general manager level and above (i.e. share of women in top management positions)	%	Not disclosed	27.5	32.1
Share of women at director level (i.e. share of women in middle management positions)	%	Not disclosed	31.0	29.5
Share of women at manager level (i.e. share of women in junior management positions)	%	Not disclosed	35.6	37.4
Share of women in management positions in revenue-generating functions	%	Not disclosed	24.9	25.9
Share of women in STEM-related positions	%	Not disclosed	60.2	58.0

15 The top three ethnic groups of the Group's ethnic minority employees are Hui (2.53%), Zhuang (1.25%) and Tujia (0.46%). The share of Hui, Zhuang and Tujia in the Group's management is 0.52%, 0.60% and 0.43%, respectively.

16 Management refers to all of the Group's employees at manager level and above.

17 Executive management refers to the Company's president and vice presidents.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator		Unit	2021	2022	2023
Employee years of employment					
Average years employed for female employees		year/person	Not disclosed	7.7	7.67
Average years employed for male employees		year/person	Not disclosed	9.7	9.52
New hires					
Total number of new hires		person	Not disclosed	2,443	2,238
Gender	Male	person	Not disclosed	1,298	1,210
	Female	person	Not disclosed	1,145	1,028
Employee category	General manager level and above	person	Not disclosed	3	3
	Director level	person	Not disclosed	12	8
	Manager level	person	Not disclosed	186	167
	Other employees	person	Not disclosed	2,242	2,060
Age	30 and below	person	Not disclosed	1,578	1,457
	31-49	person	Not disclosed	852	765
	50 and above	person	Not disclosed	13	16
Geographical region	China's mainland	person	Not disclosed	2,439	2,236
	Hong Kong, Macao and Taiwan of China	person	Not disclosed	2	1
	Foreign nation	person	Not disclosed	2	1

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator		Unit	2021	2022	2023
Internal hires					
Percentage of internal hires[18]		%	Not disclosed	19.08	26.98
Gender	Male	%	Not disclosed	57.29	53.93
	Female	%	Not disclosed	42.71	46.07
Employee category	General manager level and above	%	Not disclosed	0.17	1.81
	Director level	%	Not disclosed	5.21	4.96
	Manager level	%	Not disclosed	23.78	24.55
	Other employees	%	Not disclosed	70.83	68.68
Age	30 and below	%	Not disclosed	37.50	34.70
	31-49	%	Not disclosed	59.55	61.79
	50 and above	%	Not disclosed	2.95	3.51
Geographical region	China's mainland	%	Not disclosed	99.83	100.00
	Hong Kong, Macao and Taiwan of China	%	Not disclosed	0.00	0.00
	Foreign nation	%	Not disclosed	0.17	0.00

[18] Calculation of the percentage of internal hires: the total number of vacancies filled by the Group's own employees during the Year/the total number of vacancies in the Group during the Year.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator		Unit	2021	2022	2023
B Social					
B1 Employment					
B1.2 Employee turnover rate by gender, age group and geographical region[19]					
Total employee turnover rate		%	11.11	10.82	13.45
Gender	Male	%	10.98	10.09	12.26
	Female	%	11.25	11.64	14.78
Age	30 and below	%	12.35	12.98	17.66
	31-49	%	10.78	9.60	10.79
	50 and above	%	2.34	4.03	3.95
Geographical region	China's mainland	%	11.09	10.81	13.45
	Hong Kong, Macao and Taiwan of China	%	0.00	25.00	25.00
	Foreign nation	%	31.25	18.18	8.33
Employee category	General manager level and above	%	Not disclosed	1.15	2.41
	Director level	%	Not disclosed	9.79	2.27
	Manager level	%	Not disclosed	13.90	13.49
	Other employees	%	Not disclosed	10.60	13.73

[19] Calculation of employee turnover rate: employees who left employment (in the specified category) / total number of employees at the beginning of the period (in the specified category) + new recruits (in the specified category).

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator		Unit	2021	2022	2023
B Social					
B2 Health and Safety					
B2.1 Number and rate of work-related fatalities that occurred in each of the past three years (2021-2023)					
Number of work-related fatalities		person	0	0	0
Rate of work-related fatalities		%	0	0	0
B2.2 Lost days due to work injury					
Lost days due to work injury		day	180	143	21
B3 Development and Training[20]					
B3.1 Percentage of employees trained by gender and employee category					
Percentage of total employees who took part in training		%	100	100	100
Gender	Male	%	52.35	52.50	52.65
	Female	%	47.65	47.50	47.35
Employee category	General manager level and above	%	0.98	0.89	0.91
	Director level	%	2.12	1.87	2.05
	Manager level	%	9.91	10.08	10.04
	Other employees	%	86.99	87.16	87.00
B3.2 Average training hours completed per employee by gender and employee category					
Average training hours per employee		hour/person	76.2	80.1	74.3
Gender	Male	hour/person	76.2	80.1	69.2
	Female	hour/person	76.2	80.1	80.1
Employee category	General manager level and above	hour/person	16.9	51.6	12.0
	Director level	hour/person	52.6	71.0	28.8
	Manager level	hour/person	56.2	68.0	31.8
	Other employees	hour/person	79.7	82.0	80.9

[20] The calculation methodology of the training data of B3 refers to the document "Appendix 3: Reporting Guidance on Social KPIs" of the Hong Kong Stock Exchange.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator		Unit	2021	2022	2023
Average training hours completed per employee by age, geographical region and type of training					
Age	30 and below	hour/person	Not disclosed	77.5	106.6
	31-49	hour/person	Not disclosed	82.0	55.1
	50 and above	hour/person	Not disclosed	79.4	65.4
Geographical region	China's mainland	hour/person	Not disclosed	80.1	74.4
	Hong Kong, Macao and Taiwan of China	hour/person	Not disclosed	82.3	30.7
	Foreign nation	hour/person	Not disclosed	77.9	26.4
Average training hours per employee who participated in management training		hour/person	Not disclosed	3.6	21.3
Average training hours per employee who participated in leadership training		hour/person	Not disclosed	4.6	36.7
Employee training expenditure					
Average amount spent per employee on training and development programs		RMB/person	Not disclosed	478.45	598.88
Employee engagement survey					
Percentage of employees who reported that they feel "actively engaged" or "engaged" out of the total workforce		%	Not disclosed	72.39	75
Target of the Year set for the percentage of employees who reported that they feel "actively engaged" or "engaged" out of the total workforce		%	Not disclosed	75	76

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator		Unit	2021	2022	2023
B Social					
B5 Supply Chain Management					
B5.1 Number of suppliers by geographical region					
Total number of suppliers		nos	2,055	1,877	2,086
Geographical region	Number in Southern China	nos	689	667	709
	Number in Eastern China	nos	837	724	797
	Number in Northern China	nos	196	188	194
	Number in Central China	nos	148	131	187
	Number in Northeastern China	nos	30	31	30
	Number in Northwestern China	nos	99	92	111
	Number in Southwestern China	nos	47	36	47
	Number in foreign countries	nos	9	8	11
B6 Product Responsibility					
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons					
Percentage of such products to total products sold and/or shipped		%	0	0	0
B6.2 Number of products and service related complaints received					
Product-related complaints		nos	142	77	80
Medication queries		nos	9	20	17

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(continued)*

ESG Indicator	Unit	2021	2022	2023
B Social				
B7 Anti-corruption				
B7.1 Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the reporting period and the outcomes of the cases				
Number of brought and concluded legal cases regarding corrupt practices	case	0	0	0
B7.3 Anti-corruption training provided to directors and staff				
Number of directors who attended anti-corruption training	person	8	11	11
Total number of hours of anti-corruption training provided to directors	hour	11.5	22	22
Number of employees who attended anti-corruption training	person	8,580	9,005	8,933
Total number of hours of anti-corruption training provided to employees	hour	35,375.9	22,422.5	17,020.7
B8 Community Investment				
B8.2 Resources contributed to the focus areas				
Cash donation	RMB10,000	1,349.8	373.1	1,349.8
In-kind donation	RMB10,000	595.4	624.7	348.3
Total charitable donation[21]	RMB10,000	1,945.2	997.8	1,698.1
Of which: Investments in health	RMB10,000	154.4	330.8	261.2
Investments in education	RMB10,000	645.0	61.5	560.2
Investments in disaster relief	RMB10,000	885.1	322.1	625.1
Investments in rural revitalization and industrial assistance	RMB10,000	Not disclosed	254.7	196.1
Investments in other areas	RMB10,000	20.5	28.7	55.5

[21] The Group recorded zero direct or indirect political contributions from 2021 to 2023.

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CONTENT INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" OF THE HONG KONG STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPI")		Corresponding Sections
A. Environmental		
Aspect A1: Emissions	General disclosure	10.3, 12.1 (During the Reporting Period, the Group did not experience any environmental pollution incidents or environmental administrative penalties)
	KPI A1.1	12.2
	KPI A1.2	12.2
	KPI A1.3	12.2
	KPI A1.4	12.2
	KPI A1.5	10.2, 10.3, 10.4
	KPI A1.6	10.2, 10.3
Aspect A2: Use of Resources	General disclosure	10.4, 12.1
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	KPI A2.2	12.2
	KPI A2.3	10.2, 10.4
	KPI A2.4	10.2, 10.4
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Aspect A4: Climate Change	General disclosure	10.5, 12.1
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B. Social		
Employment and Labor Practices		
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	KPI B1.2	9.1, 12.2
Aspect B2: Health and Safety	General disclosure	9, 12.1
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	KPI B2.2	12.2
	KPI B2.3	9.4
Aspect B3: Development and Training	General disclosure	9, 12.1
	KPI B3.1	12.2
	KPI B3.2	12.2

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPI")		Corresponding Sections
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Employment and Labor Practices		
Aspect B4: Labor Standards	General disclosure	9, 12.1
	KPI B4.1	9.1
	KPI B4.2	9.1
Operating Practices		
Aspect B5: Supply Chain Management	General disclosure	8, 12.1
	KPI B5.1	8, 12.2
	KPI B5.2	8.1, 8.3
	KPI B5.3	8.1, 8.3, 8.4, 8.5
	KPI B5.4	8.5
Aspect B6: Product Responsibility	General disclosure	5, 7, 12.1
	KPI B6.1	7.5, 12.2 (During the Reporting Period, the Group did not recall any products due to safety and health reasons)
	KPI B6.2	7.5, 12.2
	KPI B6.3	5.3
	KPI B6.4	7.3, 7.4, 7.5
	KPI B6.5	5.1, 5.2, 7.5 (During the Reporting Period, the Group had no incidents of data breach and was not involved in any lawsuits on information and data security against the Group or its employees)
Aspect B7: Anti-corruption	General disclosure	5, 8, 12.1 (During the Reporting Period, the Group did not experience any legal cases regarding corruption, bribery, extortion, fraud, money laundering or insider trading)
	KPI B7.1	5.1, 12.2
	KPI B7.2	5.1, 8.3
	KPI B7.3	5.1, 12.2
Community		
Aspect B8: Community Investment	General disclosure	11, 12.1
	KPI B8.1	6, 11, 12.2
	KPI B8.2	12.2

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