丽珠医药
LIVZON

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

Stock Code 股份代號: 1513

2022
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
環境、社會及管治報告

* For identification purpose only 僅供識別

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

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1 ABOUT THIS REPORT

OVERVIEW

This report is the seventh 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 2022 to 31 December 2022 (the "Reporting Period" or the "Year") to disclose the latest ESG performance of the Company for 2022. To enhance the comparability and completeness of the contents of the Report, some contents are traced back to previous years or extended to 2023, 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 27 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 2022 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

* *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 2022, looking beyond Livzon, the reform of the medical and healthcare system continued to deepen, with constant improvement of the innovation environment and continuous high-quality progress of the pharmaceutical industry towards transformation, upgrading, and innovation promotion; looking inward, Livzon grasped the current situation and kept up with the pace of national policies. Upholding the mission of "prioritizing the quality of life of patients" and the vision of "becoming a leader in the pharmaceutical industry", Livzon continued to optimize the professional team structure, constantly increased investment in R&D, steadily promoted product innovation, and strengthened digital transformation, opening up a new chapter of quality and sustainable development.

The Group is primarily engaged in the R&D, production and sales of pharmaceutical products, which covers drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates, as well as diagnostic reagents and equipment. At present, the Group has formed a relatively complete product profile. Adhering to our responsibility to meet people's health needs, we continued to pay attention to new molecules and cutting-edge technologies in the field of global new drug R&D, made layout of innovative drugs and high-barrier complex preparations based on clinical value and differentiated prospect, continuously promoted product innovation and upgrade, and accelerated the building of a shield for public health by continuously launching products and services of excellent quality.

Looking back to 2022, Livzon continued to deepen its efforts in the areas of gastroenterology, psychiatry, assisted reproduction, anti-tumor, etc., and continuously developed and formed a differentiated product pipeline covering the entire R&D lifecycle. Tocilizumab Injection(托珠單抗注射液)(Atvtia), independently developed by LivzonBio, was approved for marketing in January 2023, and it will benefit a great number of patients with autoimmune diseases in China. This drug was also included in the Diagnosis and Treatment Plan for Severe Cases of New Coronavirus Infection (Fourth Edition for Trial Implementation) and prescribed for a severe COVID-19 patient by Zhuhai People's Hospital, Guangdong Province for the first time across the country, thereby serving as an effective therapeutic drug and therapy for moderate to severe COVID-19 patients. At the same time, we have taken full advantage of enterprise-university-research cooperation. The Recombinant SARS-CoV-2 Fusion Protein Vaccine(重組新型冠狀病毒融合蛋白疫苗)(LIKANG) jointly developed by LivzonBio and the Institute of Biophysics, Chinese Academy of Sciences was approved for emergency use in sequential booster immunization in China's mainland in June 2022, and was officially included in the national immunization program in September 2022. It has been used for booster vaccination in more than 20 provinces and cities across the country. In addition, in response to the prevalence of COVID-19 mutant strains, LivzonBio has conducted the research and development ("R&D") of various mutant strains vaccines and related bivalent vaccines, so as to make Livzon's contributions.

We actively respond to the national call, continuously improve the accessibility and affordability of medical products, and help fulfill the great task of "comprehensively promoting the construction of a healthy China". Considering the uneven levels of economic development in different regions of overseas markets, we have adopted equitable pricing policies based on local income levels, and are committed to providing high-quality, affordable medicines, reducing the financial burden of medical treatment on local people, and eliminating health disparities in underserved regions. On the other hand, Livzon keeps track of the clinical development of rare diseases, and leverages its own advantages in R&D and innovation to further the progress of rare disease-related treatments.

We are always people-oriented, allowing every employee the opportunity to grow and create value in an equal, respectful, inclusive and diverse work environment. To enable our employees to grow with the Company and share the Company's development achievements, we provide fair and competitive remuneration and caring benefits, and develop a comprehensive talent training system and diversified promotion channels to support employees' career development.

We earnestly practice the concept of green operation and take scientific and efficient measures to address major environmental issues such as climate change. Livzon actively responds to the national dual-carbon goals of "achieving carbon peaking by 2030 and carbon neutrality by 2060" and, taking into account our own low-carbon practices, continues to improve the Group's current environmental management system. By introducing ESG performance indicators in the management appraisal as an incentive, we have been driving the Group's ESG efforts, including energy conservation and carbon reduction, from top down, ensuring that green and low-carbon initiatives are truly implemented in all aspects of the Group's daily operations. In addition, Livzon established the Environmental Management Targets for 2021-2025 and the General Targets for Reduction of Carbon Emission, and made commitments in addressing climate change: aiming to achieve carbon neutrality by 2055.

We took the initiative to assume social responsibility by actively carrying out public welfare activities and continuing investments in prevention and treatment of chronic diseases, rural revitalization, assistance to the industries, education development, disaster relief actions, etc., and also encouraged employees to participate in diverse volunteer activities. During the Year, the charitable donation of the Group amounted to RMB9.98 million. We continuously promoted the "Public Welfare Program for Prevention and Treatment of Chronic Diseases". As at the end of the Reporting Period, the Company had entered into a total of 19 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases with many provinces, cities and regions in the central and western part of China, and had helped more than 6,400 low-income chronic disease patients. In April 2022, Livzon donated over 70,000 boxes of medicines to Yunfu City, Luoding City, and Yunan County in Guangdong Province. At the same time, our "Astragalus Root Industry Revitalization" program has accelerated the development of the local astragalus root industry and the construction of the Chinese Medicine Ecological Base and enabled local people in difficulties to work in places close to their homes. By giving people fish and teaching them how to fish, Livzon aims to deliver a long-term and down-to-earth health dividend to the grassroots through practical actions, seeking to meet the health needs of more groups while giving new impetus to the country's achievement of the strategic goal of rural revitalization.

Looking ahead, the year 2023 will usher in a new chapter of Livzon's development. We will embrace change positively, further strengthen our advantages in the innovative drugs and high-barrier complex preparations platform, deeply integrate the ESG philosophy into the overall corporate development strategy, and further enhance the Group's capability of sustainable development through digital and intelligent new technologies and models. While providing patients with better quality products and services, we actively practice the concept of green and low-carbon development, build a diversified development platform, remain committed to social welfare, and make full use of our corporate influence to create a sustainable industry ecosystem with partners, contributing our efforts to comprehensively promoting the construction of a healthy China and achieving common prosperity.

Mr. Zhu Baoguo
Chairman of the Board

3 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.

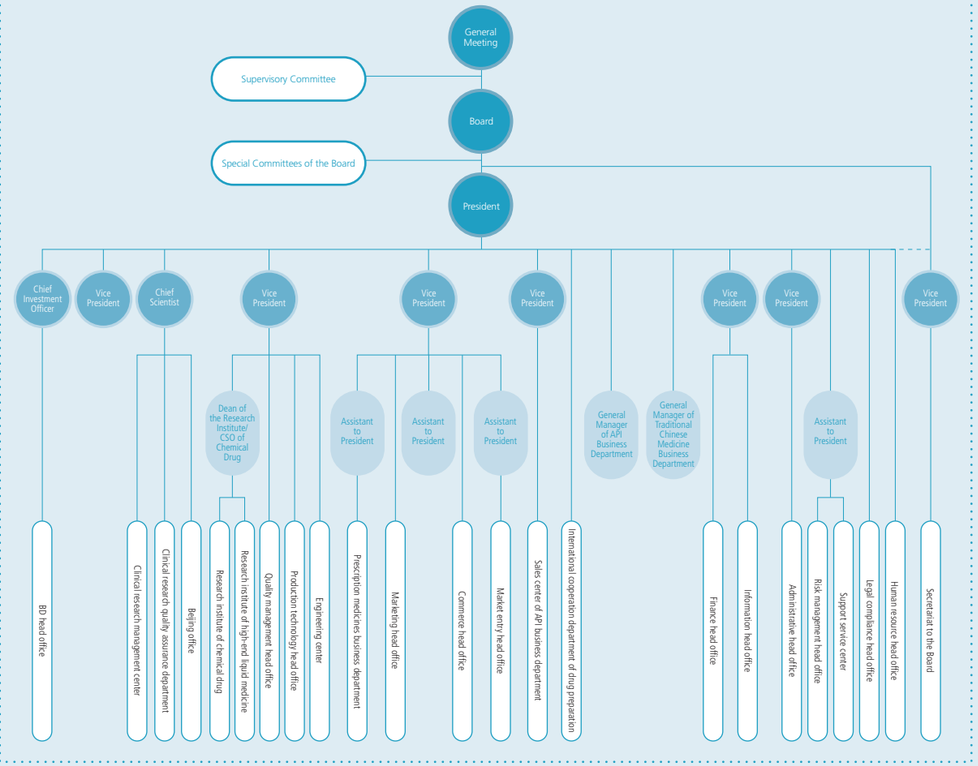
During the Reporting Period, there were no significant changes in the principle business of Livzon. Livzon was primarily engaged in the R&D, production and sales of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates as well as 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(硫酸粘菌素), 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(磁條碼免疫螢光法)).

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 2022

Economic performance

Operating income
RMB
12,629.58 million, a year-on-year increase of **4.69%**

Net profit attributable to the shareholders of the Company after deducting the extraordinary gains and losses
RMB
1,880.46 million, a year-on-year increase of **15.57%**

Tax revenue created for the country
RMB
1,237.80 million

Wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees
RMB
1,514.96 million

Economic performance

Interest paid to creditors such as banks
RMB
87.42 million

Social contribution per share
RMB
5.09 per share[1]

Accumulated cash dividends in the past 6 years (2016-2021)
RMB
5,640.72 million

Social performance

R&D innovation

Percentage of R&D employees to the total number of employees
10.81%

R&D investment and its proportion in operating income
RMB
1,401.27 million, **11.10%**

Access to healthcare

Products included in the National Medical Insurance Catalogue
189

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

[1] During the Year, the Company optimized and adjusted the calculation method for social contribution per share by including the net profit attributable to the shareholders of the Company. As a result, the value significantly increased compared to the previous year.

3.3 PERFORMANCE HIGHLIGHTS IN 2022 *(Continued)*

Social performance

Health and safety

Investment in work safety and occupational health
RMB
25.25 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
47.50%

Percentage of women in management positions
34.34%

Social performance

Percentage of women in the executive management
25.00%

Percentage of female directors
9.09%

Ratio of average base salary for the management (men: women)
0.98:1

Ratio of average base salary plus other cash incentives for the management (men: women)
1.06:1

Average training hours of employees
80.11 hours

Social performance

Public welfare and charity

Expenditure on charitable donation
RMB
9.98 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
19

As at the end of the Reporting Period, the number of low-income people with chronic diseases receiving our assistance
Over **6,400**

Total employee volunteering hours
3,068.5 hours

3.3 PERFORMANCE HIGHLIGHTS IN 2022 *(Continued)*

Environmental performance

Greenhouse gas emission

Total greenhouse gas emissions and percent reduction compared to 2020
565,659.96 tCO_2e, **1.52**%

Reduction of greenhouse gas emission intensity compared to 2020
21%
(2022 target: 11%)

Target year of achieving carbon neutrality
2055

Environmental performance

Environmental investment

Environmental protection investment
RMB**99.29**million
including:

Investment in maintenance of environmental protection operation
RMB**68.78**million

Investment in renovation of environmental protection facilities
RMB**30.51**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
AA

S&P Global Corporate Sustainability Assessment scored
42

Wind ESG scored
AA

CDP (Climate Change Response) scored
B-

3.4 LIST OF HONORS

Part of the Honors of the Company

Name of Award	Issuing Authority
2021 List of Top Cash Dividend-Paying A-Share Public Companies – List of Highest Returns	China Association for Public Companies
2021 List of Top Cash Dividend-Paying A-Share Public Companies – List of Sincere Returns	China Association for Public Companies
Most Socially Responsible Listed Company	National Business Daily
Best ESG Information Disclosure Award	New Fortune
Best Capital Market Communication Award	International Roadshow Center
Best ESG Award	International Roadshow Center
Best Information Disclosure Award	International Roadshow Center
Institutional Friendly Communication Award	Panorama Network
The 13th Tianma Award for Investor Relations of Chinese Listed Companies – Best Board of Directors Award	STCN
Top 25 Listed Pharmaceutical Companies in Hong Kong	QQ.com, FINET
China's Pharmaceutical Enterprises with High-quality Development Achievements, 2022 China Pharmaceutical Socially Responsible Media Watch – Responsible Pioneer and Public Welfare Pillar Enterprise	National Medical Products Administration Institute of Medical Economics
2021 Guangdong Poverty Alleviation Red Cotton Cup – Bronze Cup	Rural Work Leading Group of the CPC Guangdong Provincial Committee
First Prize of Huaxia Medical Science and Technology Award	China International Exchange and Promotion Association for Medical and Healthcare

3.4 LIST OF HONORS *(Continued)*

Part of the Honors of the Company's Subsidiaries

Name of Award	Issuing Authority
Top 500 Manufacturers in Guangdong Province in 2022	Institute of Industrial Economics of Jinan University, Guangdong Manufacturers Association, Guangdong Provincial Development and Reform Institute
National Technologically Advanced "Little Giant" Enterprises	Ministry of Industry and Information Technology of the People's Republic of China
National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration
2021 Excellent Brand Enterprise of Chinese National Medicine	Pharmaceutical Chamber of Commerce of All-China Federation of Industry and Commerce
Consumers' Favorite Brand, "Quality and Good Faith Alliance" Demonstration Unit	Consumer Quality Newspaper Agency
Shaoguan Municipal Government Quality Award	People's Government of Shaoguan
Technologically Advanced Small and Medium-Sized Enterprises in 2022	Department of Industry and Information Technology of Guangdong Province
Zhuhai Intellectual Property Advantage Enterprise in 2022	Zhuhai Municipal Intellectual Property Office
Technologically Advanced Small and Medium-Sized Enterprises in Guangdong Province	Department of Industry and Information Technology of Guangdong Province
Award for Outstanding Contributions to Economy of Pudong New Area in 2021	People's Government of Shanghai Pudong New Area
2022 Innovative SMEs	Department of Industry and Information Technology of Guangdong Province
2021 Top Ten Enterprises in the Medical and Health Manufacturing Industry in Zhuhai	Zhuhai Bureau of Industry and Information Technology
2019-2021 Five-star Party Organization	Fuqing CPC Committee
2022 Top 100 Innovative Private Enterprises in Fujian Province	Fujian Federation of Commerce & Industry

4 ESG GOVERNANCE

A robust ESG governance system is the internal foundation on which companies can efficiently fulfill their external 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. All environmental management targets for the Year were achieved, the details of which are shown in "10.2 ENVIRONMENTAL MANAGEMENT GOALS" of the Report.

During the Year, the ESG Committee held a total of five meetings to set the additional environmental management targets for 2022 to 2025 of the Group, formulate the ESG indicator appraisal rules for the individual performance of the ESG Working Team, review and assess the Group's energy conservation and emission reduction in 2021, the ESG efforts in 2021, the achievement of the environmental management targets for the first half of 2022 and the report on ESG management improvement suggestions for 2022, and review the Group's work performance in the following aspects: diversity, data security and privacy protection, access to healthcare, TCFD climate risk and opportunity management, water risk assessment, etc. The ESG Committee has reported to the Board five times regarding the above ESG-related issues.

4.2 ESG GOVERNANCE STRUCTURE

In its continuous improvement of the ESG governance system and management mechanism, the Company has established a top-down ESG governance structure 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 structure, operational management and implementation effectiveness of the Group's ESG, regularly reporting and providing advice for 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 STRUCTURE *(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, secretary to the Board, all assistants to the president, dean of the research institute, chief engineer, general manager of API business department, and general manager of traditional Chinese medicine business department	1. In 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
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
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	• Workers' representatives conference and trade union • Occupational health and safety training • Employee engagement survey • Opinion feedback platform • President's suggestion box, general manager's suggestion box • Daily communication • Online learning platform • WeCom • Discussion meetings

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
The media	• Maintain open and transparent information disclosure • Keep good interaction with the media	• Phone interviews and correspondences • Featured articles
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

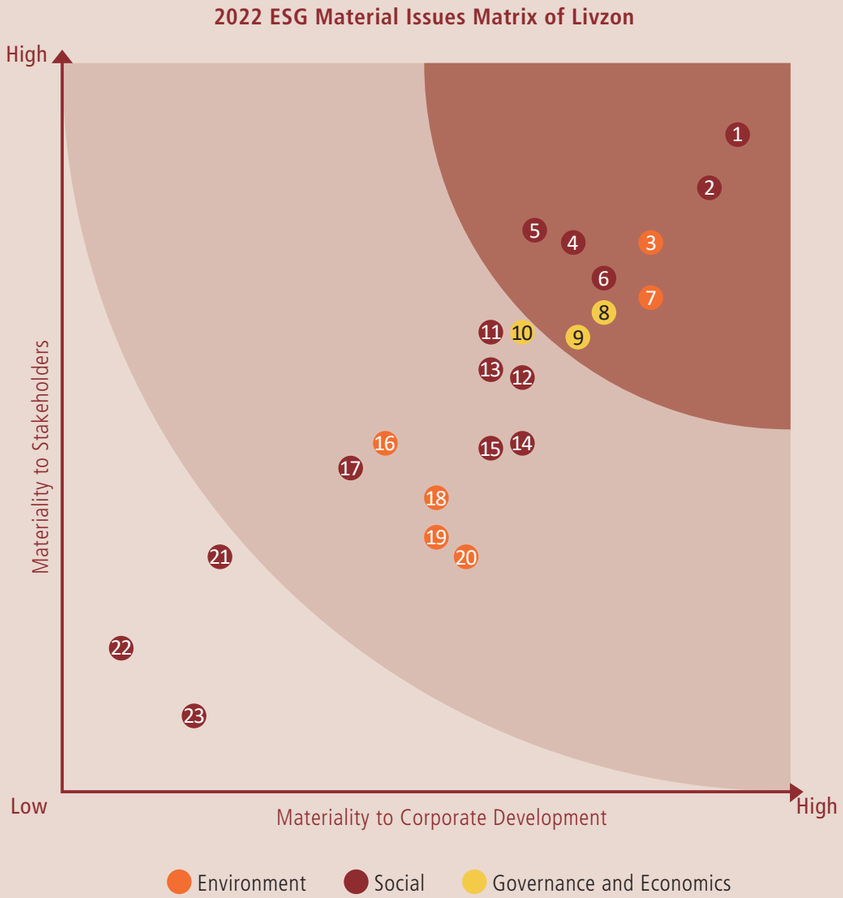
- **Review and update the pool of ESG issues:** reviewed the results of materiality assessment for 2021, and updated the pool of ESG issues for the Year after comprehensive consideration by taking into account of the overall business development of the Group in 2022 and the advanced ESG management practices 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 2022 to invite stakeholders in each category to rate the materiality of ESG issues in 2022 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)*



4.4 MATERIAL ISSUES *(Continued)*

List of ESG Issues in 2022 of Livzon

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

4.4 MATERIAL ISSUES *(Continued)*

In the process of improving the Group's internal management and enhancing external communication, we have also identified and assessed emerging risks to the Group's long-term development and social progress in social and environmental aspects, and have taken corresponding measures to prevent and mitigate these emerging risks in the course of operations.

The spread of new infectious diseases caused by factors such as environmental changes and economic activities has presented a major challenge to the health of the world's population over the past few years. The SARS-CoV-2 (the "COVID-19 virus"), for example, which is characterized by widespread infection, far-reaching consequences, and rapid virus mutations, has not only posed a threat to human health, but also created difficulties for pharmaceutical enterprises' research and development. In the face of the risk posed by new infectious diseases, failing to respond to the rapidly changing pharmaceutical market and patient needs in a timely manner, effectively improve drug efficacy, and consolidate product competitiveness, could result in Livzon losing market share due to missed R&D opportunities.

To better address the emerging risk of new infectious diseases, Livzon has invested heavily in drug R&D. In the case of the COVID-19 virus, we have developed products such as the Recombinant SARS-CoV-2 Fusion Protein Vaccine(重組新型冠狀病毒融合蛋白疫苗), Tocilizumab Injection(托珠單抗注射液), and Rapid Test for 2019-nCoV Antigen (Lateral Flow)(新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)), and have also taken the opportunity presented by our R&D of COVID-19 vaccines to establish a systematic vaccine technology platform. Additionally, we have actively promoted the R&D of anti-infective drugs and continued to deepen close collaboration with renowned Chinese universities, research institutes, and top-notch enterprises on academic research and communication, technology exchange, and drug R&D, in order to jointly facilitate R&D and innovation in the prevention and treatment of new infectious diseases and protect public health.

In addition, climate change is also an emerging risk with significant impact which we face. Facing the risks posed by climate change, the Group has established a governance structure and risk management process for climate-related affairs with reference to the TCFD framework, regularly assesses potential climate risks and opportunities, and formulates and implements response measures. For details, please refer to "10.5 ADDRESSING CLIMATE CHANGE" in the Report.

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 on business ethics related matters such as anti-corruption and anti-bribery, whistleblowing and complaints, clinical ethics, responsible marketing, etc., 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, anti-bribery, etc., 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 department 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, anti-bribery, etc. The audit and integrity department regularly reports to the Audit Committee and the Board on the achievements and improvement 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 36 comprehensive internal control audits, 17 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 suggestion.

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 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 regulations such as the Anti-Corruption and Anti-Commercial Bribery Regulations, the Interim Provisions on Anti-Fraud, and the Administrative Regulations on Staff Integrity. During the Reporting Period, the Company improved the Code of Labor Employment and Ethical Conduct and the Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal, and issued other system documents such as the Employee Grievance Management System and the Administrative Measures for Construction Project Suppliers.

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 conduct anti-corruption audits on critical suppliers and key suppliers every year. 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 764 suppliers.

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.

5.1 BUSINESS ETHICS *(Continued)*

5.1.1 Anti-corruption *(Continued)*

Anti-corruption system *(Continued)*

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 authorities.

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 and anti-corruption, 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, employee training, etc., 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 induction 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 two training programs 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 and risk management provided by a professional organization, reaching a training coverage of 100%. These trainings have increased the Company's directors' awareness of risk management, compliance risk prevention, and anti-corruption.

Case: Business ethics training

In December 2022, the legal compliance head office of the Company conducted business ethics training for all employees of the Group in both online and offline forms. This training provided a detailed introduction to the definition of business ethics, the definition of compliance, and the compliance management practices for the pharmaceutical industry, as well as a special explanation on anti-commercial bribery. During the training, the legal compliance head office used real-life cases to warn all employees of the consequences of violating laws and regulations, and cautioned all employees to draw a lesson, hold laws and regulations in awe and act prudently.

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

In November 2022, the Company organized all members of the Board to participate in the special trainings on anti-corruption and risk management. The trainings, which took the form of legal interpretation and case sharing, provided directors with detailed and vivid trainings on various topics, including directors' integrity responsibilities, anti-corruption, criminal risks in the performance of directors' duties and their prevention, and market misconduct. The training analyzed various cases of corruption, bribery and misappropriation of funds, made directors aware of their duties of loyalty and diligence, and provided them with several recommendations on corporate risk management.

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, transfer to judicial authorities, etc., 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 authorities 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 authorities 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. The department shall inform the whistleblower of the handling results in written form in 5 working days after it is handled, 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 (internal): wangwei@livzon.cn, xudan01@livzon.cn
E-mail (external): 172853490@qq.com
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 Administrative Measures 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.

We have established the Workflow for Protection of Drug Clinical Trial Data to strictly secure personal information and privacy of subjects 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 effectively guarantee the confidentiality of research project data through techniques such as anonymization or coding. Subject related information (such as identity, disease, biological sample, etc.) 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.

5.1 BUSINESS ETHICS *(Continued)*

5.1.3 Clinical ethics *(Continued)*

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 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.

5.1.4 Responsible marketing

Responsible marketing system

We strictly abide by relevant laws of places where each business operates in the process of marketing and promotions, 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 Personal Information Protection Law of the PRC, the Administrative Measures for Medical Advertisements, the Measures for Drug Advertisement Review, and the Notice on the Standard Use of Drug Names in Drug Advertisements.

At the same time, the Group has established policies of responsible marketing, including 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 System for Overseas Sales of Drug Preparations, 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 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 Code of Conduct for Sales Personnel of Livzon Group

1. Strict compliance with national laws and regulations is required. Any form of marketing activities by sales personnel, including marketing content and methods, shall follow national laws and regulations.
2. Any form of marketing activities, including marketing content, methods, and related marketing materials, shall be truthful and compliant. Exaggerated, deceptive, and false content is strictly prohibited; all marketing materials shall be reviewed and approved by the authorized management of the Company.
3. Accurate disclosure of information is required during business activities by laws and regulations as well as industry standards and guidelines; false and exaggerated statements about information such as product efficacy, concealment of information on known adverse reactions of drugs, and misleading doctors to use drugs are strictly prohibited; false and misleading statements regarding information about the Company's competitors are not allowed.
4. Business activities shall be conducted under proper procedures. No academic promotion activities are allowed without filing or obtaining consent from medical institutions, and no commercial bribery to business-related personnel is permitted.
5. Business activities shall be conducted in an honest and trustworthy manner and by fair participation in competition without impairing the interests of enterprises and others.
6. Interfering with or influencing the rational clinical medication to the detriment of the interests of others is not allowed.
7. Timely, honest, and accurate feedback on clinical adverse reactions to drugs is required. No concealment or delay is allowed.
8. Customer privacy must be protected. No arbitrary disclosure of customer privacy is allowed without their awareness and consent.
9. Commercial bribery and other unlawful means of sales activities are not allowed.

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.

Audit on responsible marketing

At the headquarters level, to effectively monitor the compliance of the Group's marketing activities, the risk management head office of the Company continuously strengthens internal control audits of risks. While the subsidiaries conduct regular self-inspections, the risk management head office of the Company 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.

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, 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: Audit on third-party service providers

During the Reporting Period, the Company formulated the Service Provider Audit Plan 2022, and conducted 16 responsible marketing audits on third-party service providers, covering approximately 42% of service providers in 2022. The audit work in the Year has effectively ensured the proper and compliant cooperation business of service providers and played an effective and powerful role in monitoring service providers. In strict accordance with the requirements of the Company's Requirements for Risk Management and Control of Cooperative Service Providers, we also issued a notice 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 inspection.

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 added to boxes of products in the Central Asian market, and different languages are used in product packaging design for different countries.

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, 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, advertisement 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 to ensure their relevance.

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, etc.

Case: Responsible marketing training for all employees of the Group

From October to November 2022, the human resource head office of the Company conducted a 23-day responsible marketing training for all employees of the Group. The training focused on three aspects: "What is Responsible Marketing", "Product Marketing Process" and "Marketing Head Office System", helping employees to deeply understand the Group's marketing system and marketing process, and deepening the understanding of responsible marketing knowledge for all employees. At the end of the training, we also tested the effectiveness of the training by means of questionnaires, achieving a pass rate of 83%, and issued certificates and awards to the top-performing units, departments and employees.

5.1 BUSINESS ETHICS *(Continued)*

5.1.4 Responsible marketing *(Continued)*

Responsible marketing training *(Continued)*

Case: Responsible marketing trainings conducted in two major sales areas

During the Year, the Company's marketing head office conducted a total of 42 responsible marketing training sessions for all employees of the drug preparation sales teams in China and held the Livzon Cup academic debate competition. In September 2022, the Company's sales center of API business department conducted thematic trainings on responsible marketing for all employees of the API sales teams.

By disseminating knowledge and interpreting policies of responsible marketing and ethics, the responsible marketing awareness and skills of the Group's sales teams of drug preparations and APIs were further consolidated, and their awareness of customer service was improved, thereby further enhancing the professional and standardized marketing of the Group's sales teams.

Case: Overseas responsible marketing training

During the Year, to raise the awareness of overseas responsible marketing within the Group, the international cooperation department of drug preparation actively promoted the study of relevant overseas laws and regulations, formulated the department-level Administrative Regulations on Employee Learning and Growth, and set up departmental learning and growth teams. During the Reporting Period, the international cooperation department of drug preparation mainly conducted trainings on overseas sales compliance, drug sales promotion compliance, etc. By conducting responsible marketing trainings, the Group's overall level of responsible marketing was improved as the employees grasped various overseas laws and regulations.

Case: Subsidiaries carried out responsible marketing trainings

During the Year, both Livzon Hecheng and Livzon Diagnostics conducted extensive responsible marketing training sessions for all their employees. Specifically, the total training hours of Livzon Hecheng exceeded 500 hours, and the per capita learning hours of Livzon Diagnostics reached 10.

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.

5.2 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 the entire 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.

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.

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. In addition, we keep strengthening the development of data security. During the Reporting Period, we signed a system upgrade and license expansion agreement with the Company's encryption management system vendor on conducting of system upgrades to improve data leakage prevention management functions such as document watermarking and expand the scope of data encryption management.

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, mail gateway, and other security equipment;
- Engagement of third-party companies to perform vulnerability detection and penetration testing, and implementation of appropriate remedies and adjustments based on the issues 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;
- 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 require regular participation in data security and privacy protection trainings by 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 induction 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)*

As at the end of the Reporting Period, all employees and contractors of the Group had completed trainings on data security and privacy protection, reaching a training coverage of 100%. We also regularly promoted and disseminated information security knowledge throughout the Group to continuously improve the information security awareness of employees and contractors.

Case: Information system security trainings

- In July 2022, the Group engaged the Group's fresh graduates in learning the method of using the BPM system and information security awareness in an offline form. The training covered identification and disposal of phishing emails and spam emails, protection of personal privacy and improvement of confidentiality awareness, etc., to enhance the awareness of data security and privacy protection of corporate internal staff and improve the overall data security protection level of the Group.

- In September 2022, the Company's information head office engaged all employees of the Group in the study during the China Cybersecurity Week through an online form. The training covered password security, data security, personal privacy protection, email security, etc., and effectively raised the awareness of employees within the Group to secure the Company's and their personal privacy.

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

- The Ninth Guangdong Patent Silver Award – Powder Injection for Treating Peptic Ulcers and Preparation Method Thereof
- Silver Prize at the 2022 Special Edition of International Exhibition of Inventions of Geneva – Ilaprazole Sodium for Injection
- National Intellectual Property Demonstration Enterprise


DIPLÔME
Inventions Geneva
SALON INTERNATIONAL DES INVENTIONS
GENÈVE
Après examen, le Jury a décidé
de remettre à: Livzon Pharmaceutical Group Inc.
pour l'invention: Technical Innovation Of New Generation Proton Pump Inhibitors In Digestive Diseases
MÉDAILLE D'ARGENT
SILVER MEDAL
SILBERMEDAILLE
Genève, le 28 mars 2022

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, which have deepened R&D personnel's awareness of intellectual property rights and enhanced the overall level of intellectual property management of the Group.

Case: Online thematic training on "patent layout in the pharmaceutical industry and application strategy"

In August 2022, the legal compliance head office of the Company invited a lawyer to conduct an online thematic training on "patent portfolio in the pharmaceutical industry and application strategy" for all of the Group's R&D personnel, detailing the overview of patent portfolio in the pharmaceutical industry and studying cases related to patent portfolio in the pharmaceutical industry. This thematic training provided the Group's R&D personnel with a better understanding of the patent portfolio in the global pharmaceutical industry and helped the Group develop more complete and effective patent application strategies in future R&D work.

5.4 PARTY BUILDING ACTIVITIES

As at the end of the Reporting Period, Livzon had a total of 620 party members, including 388 party members in Zhuhai headquarters, 232 party members in the Company's subsidiaries outside Zhuhai City, 9 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 Xi Jinping: The Governance of China, Volume Four, Report to the 20th National Congress of the Communist Party of China, and other important documents. The Company's party committee conducted a series of party-building activities, including expert lectures, honoring outstanding party members and exemplary Party workers, and advanced community-level party organizations, competition of credits earned on the Study and Strengthen Nation app, conducting party-building activities together with the law detachment and anti-terrorist detachment of Zhuhai Public Security Bureau, and visits to revolutionary education bases, so that Party members were motivated to study and educated to advance with the times and work hard for the Company's development.

Case: Held a Party Day activity themed "Caring for Autistic Children"

In May 2022, the marketing party branch of the Company's party committee organized a Party Day activity themed "Caring for Autistic Children". Representatives of Party members went to Zhuhai Yangguang Autism Rehabilitation Training School, sent school supplies and bonus to autistic, ADHD (attention deficit hyperactivity disorder) and disabled children, and played relaxing games with the children, bringing the care of Livzon people to these "children of the stars" on this special day. The representatives of the Party members also had a discussion with Mr. Yu, the principal of Yangguang Autism Rehabilitation Training School, to understand the situation of the school and the relevant knowledge of rehabilitation training. The Company's party committee combined party building activities with the practice of corporate social responsibility, and integrated the transmission of love with the education of Party members, enabling effective work of party building and more lively education of Party members.

5.4 PARTY BUILDING ACTIVITIES *(Continued)*

Case: "Red mentors" played their leading and demonstrative role

In October 2022, the Organization Department of the Zhuhai Municipal Party Committee and the Organization Department of the Jinwan District Party Committee held the awarding ceremony of the "Red Mentor" workshop. In particular, the general manager of the quality management head office, a member of the Company's party committee was awarded the honorary title of "Red Mentor" of Zhuhai City and the secretary of the Company's scientific research party branch (executive deputy general manager of Livzon Microsphere) "Red Mentor" of Jinwan District. The "Red Mentor" workshop is an important initiative for Zhuhai to deepen the implementation of the exemplary party member program. The Company's party committee will thoroughly study the core essence and rich connotation of the spirit of the 20th CPC National Congress, think and act in line with the decisions and arrangements of the CPC Central Committee, and play an exemplary and leading role of "Red Mentor" and "passing the torch".

Case: Series of activities for celebrating the 101st anniversary of the founding of the Party

On the day before 1 July 2022, the Company's party committee organized an event to study the history of the CPC in conjunction with a ceremony of honoring outstanding Party members, exemplary Party workers, and advanced community-level Party organizations in warm celebration of the 101st anniversary of the founding of the Party.

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.

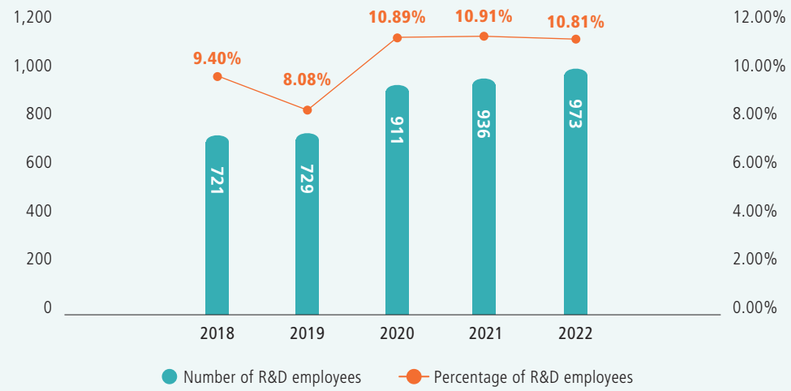
We fully support reasonable generic competition. At the same time, with regard to least developed countries and low-income countries with actual needs, we will consider selecting appropriate third-parties on appropriate terms and conditions, reaching voluntary licensing agreements, to produce relevant 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.

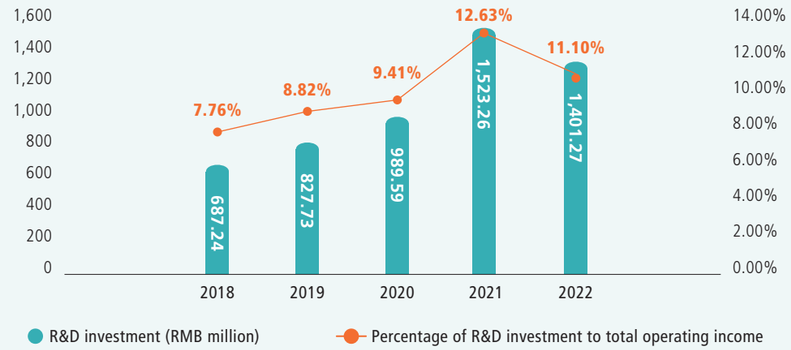
In 2022, Livzon had 973 R&D employees, representing a year-on-year increase of 3.95%, accounting for 10.81% of the total number of employees, which indicates that the scale of its R&D team continued to grow.

Number and Percentage of Livzon's R&D Employees from 2018 to 2022



During the Year, Livzon's total expenditure relating to R&D amounted to RMB1,401.27 million, among which capitalized R&D investment accounted for 7.28% of total R&D investment, and R&D investment accounted for 11.10% of the Group's total operating income for the Year.

Livzon's R&D Investment and Percentage to Total Operating Income from 2018 to 2022



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 improved preparations. We have made layout of high-barrier complex preparations such as microspheres 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 (艾普拉唑微丸肠溶片) dismantled overseas technology monopolies on enteric coated pellets and filled the technology gaps in China. 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. In addition, a multi-capsule drug delivery system is creatively adopted for this program to improve drug absorption, ensure uniform absorption per dose, thereby greatly improving bioavailability.

6.1 R&D INNOVATION *(Continued)*

Clinical needs oriented *(Continued)*

Improved 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 aripiprazole already launched in Chinese market is an oral preparation which needs to be taken every day, without prolonged-action preparation. Livzon Microsphere develops aripiprazole as sustained-release microspheres for injection to achieve prolonged-action and stable release of drugs. As at the end of the Reporting Period, Phase I multiple dose clinical trial had been completed for the product.

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, etc. The product greatly improves patient compliance, offering significant clinical advantages.

Improved 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.

Triptorelin Acetate Microspheres for Injection (1-month sustained release) developed by Livzon Microsphere is a chemical drug of Class 2.2, which can significantly reduce the immediate-release effect and have a lower occurrence of adverse reactions compared with imported microsphere preparations that were already launched in the market. This product is the first triptorelin prolonged-action preparation to apply for license in China.

As at the end of the Reporting Period, the product's supplementary dossiers for prostate cancer indication had been submitted to the CDE, and enrollment in the phase III clinical trial of endometriosis had been completed.

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 tumors, reproduction, autoimmune diseases, etc., and has a variety of product pipelines for R&D, including innovative vaccines, monoclonal antibodies, recombinant protein drugs, and CAR-T cell therapy products, to meet various unmet clinical needs and continuously improve patients' quality of life. With the launch of COVID-19 vaccine and Tocilizumab Injection（托珠單抗注射液）, in particular, 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.

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 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）")

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 for their first booster immunization, and for groups at high risk of infection, elderly groups aged over 60 years, people with serious underlying conditions, and immunocompromised groups who have received their first booster immunization, for their second booster immunization. At present, LIKANG has successively been used for booster vaccination in more than 20 provinces and cities across the country.

LIKANG has an absolute vaccine efficacy of 71.83% in people with underlying conditions, and has a vaccine efficacy of 61.19% in high-risk groups (people over 60 years old or with underlying conditions). It is the preferred vaccine for booster immunization and can help reduce the risk of infection and serious diseases, as well as 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 and conducted relevant studies on animal and clinical trials of booster/sequential immunization, and has taken the opportunity presented by R&D of COVID-19 vaccines to establish a systematic vaccine technology platform.

6.1 R&D INNOVATION *(Continued)*

Clinical needs oriented *(Continued)*

Product of R&D innovation – Tocilizumab Injection (托珠單抗注射液)("Atvtia(安維泰)")

Tocilizumab Injection is a biological immunosuppressive drug used to treat adult patients with moderately to severely active rheumatoid arthritis (RA) who have not responded sufficiently to treatment of disease-modifying antirheumatic drugs (DMARDs), systemic juvenile idiopathic arthritis (sJIA) patients, and adults and children (2 years and older) with severe or life-threatening cytokine release syndrome (CRS) induced by chimeric antigen receptor (CAR) T cells.

In January 2023, LivzonBio's Tocilizumab Injection ("Atvtia") was granted the launch approval in China's mainland. Atvtia is a tocilizumab injection developed on the basis of biosimilars with Tocilizumab (Actemra®) of Roche as the reference drug, and it is indicated for rheumatoid arthritis. Actemra® is the first humanized monoclonal antibody against the IL-6 receptor to launch on the global markets, and was officially included in China's National Medical Insurance Catalogue in August 2019.

Through comprehensive quality similarity study, preclinical study, clinical pharmacokinetics comparison study, and clinical efficacy and safety comparison study, Atvtia has been well demonstrated to be highly similar in terms of quality, safety and efficacy to Actemra®, the reference drug.

Tocilizumab injection has been included in China's Diagnosis and Treatment Plan for Novel Coronavirus Infection (Tenth Edition for Trial Implementation) and Diagnosis and Treatment Plan for Severe Cases of New Coronavirus Infection (Fourth Edition for Trial Implementation). It can be given a tryout for severe cases with significant increase in level of IL-6 in laboratory testing.

After approval for marketing, Atvtia could further benefit autoimmune patients in China and at the same time significantly improve access to medications for severe COVID-19 patients.

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 new monoclonal antibody drug and is the first biological preparation in China that targets both IL-17A and IL-17F. It is mainly indicated for autoimmune diseases such as psoriasis and ankylosing spondylitis. As at the end of the Reporting Period, LZM012 had completed its phase II clinical trial and was preparing for the phase III clinical trial.

Clinical study data shows that, 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 autoimmune patients in China.

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 current 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 100 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.

- In active response to the national policy, Livzon Diagnostics developed its COVID-19 test kit with the highest speed and priority. In April 2022, Rapid Test for 2019-nCoV Antigen (Lateral Flow)(新型冠狀病毒(2019-nCoV)抗原檢測試劑盒(乳膠法)) self-developed by Livzon Diagnostics was approved for registration and market launch by National Medical Products Administration. The product is applicable to three sample types: nasopharyngeal swab, oropharyngeal swab and nasal swab with the detection time of 15 minutes. The operation is simple and the results are clear and easy to interpret, so it can be used for self-detection.

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 and research institutes in China, such as Sun Yat-Sen University, Jinan University, Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences, and Institute of Biophysics, Chinese Academy of Sciences 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 TYK Medicines, Inc.(浙江同源康醫藥股份有限公司), LTS Lohmann Therapie-Systeme AG, a Germany company, and Onconic Therapeutics Inc., a South Korea 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 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.

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 R&D cycle 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 – Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection(注射用重組人源化抗PD-1單克隆抗體)("LZM009")

LZM009 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 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.

As at the end of the Reporting Period, LZM009 had completed subject enrollment in China for its phase II clinical trial, which has met its pre-defined efficacy endpoints. Preliminary results based on the phase II clinical study show that LZM009 has good efficacy and safety in the treatment of advanced thymic cancer, and it 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.

6.2 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.

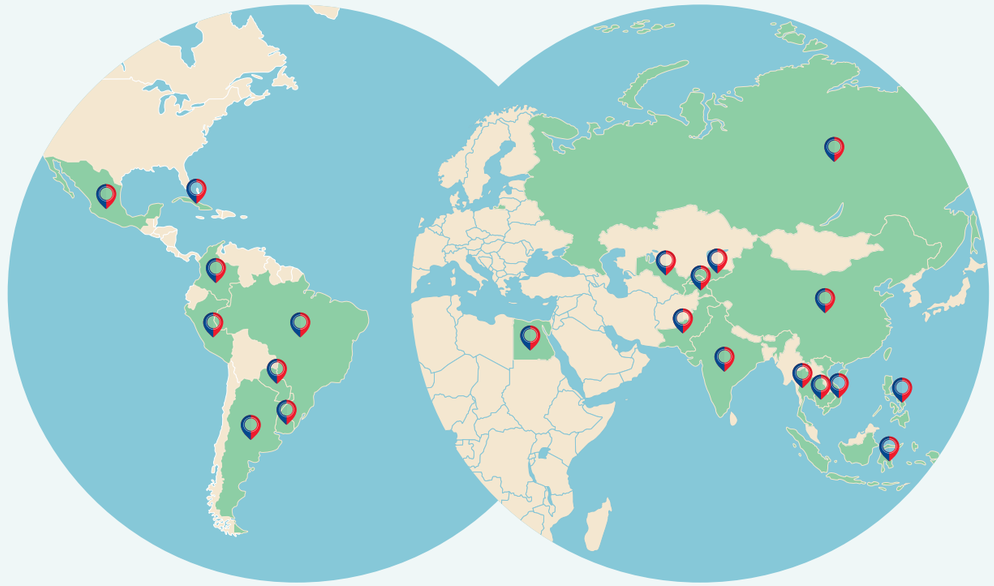
Adhering to the idea of benefiting patients worldwide with more safe and effective products, we have accelerated the Group's international development by actively pursuing overseas registration and sales of our various types of products, such as vaccines, on-patent medicines, generics, and diagnostic 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 America, South America, Southeast Asia, Central Asia, South Asia 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 RMB1,565.09 million, accounting for 12.50% of income from principal businesses, with a compound growth rate of nearly 15.48% in the past five years.

6.2 PRODUCT ACCESSIBILITY *(Continued)*

Countries Where Livzon's Products Are Sold in 2022



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 strengthen market development efforts on high-end antibiotic API products and high-end pet drugs. During the Year, sales of high-end antibiotics and high-end pet drugs increased significantly.

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 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.

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 maintain and communicate with our customers, which can enhance the communication and negotiation of new projects and 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.

As at the end of the Reporting Period, a total of 32 APIs and intermediate products of the Group had completed 133 international registrations in 62 overseas countries/regions. During the Reporting Period, the Group obtained 4 certificates for international certification for its API and intermediate varieties, including 1 EU GMP certificate for Teicoplanin (替考拉寧) and Vancomycin Hydrochloride (鹽酸萬古霉素); 3 CEP certificates, namely Moxidectin (莫昔克丁) CEP certificate, Acarbose (阿卡波糖) CEP certificate, and Tobramycin (妥布霉素) CEP certificate, respectively.

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. MDGH plans to start purchasing moxidectin APIs from the Group in 2023 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, Russia, Uzbekistan, and Nigeria. 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 America, 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 America 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 American 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, Russia 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)*

Accessibility targets

It is planned that by 2027, 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

4 drug preparations are selected from the consistency evaluation products to list as international target products

5 products are selected from generic R&D products to list as international target products

Data: Progress of drug preparation business in overseas markets in 2022

Obtained approval for registration of 5 products (mainly in Indonesia and Uzbekistan)

Filed 1 new application for overseas high-end GMP certification (Malaysia PIC/S GMP)

Obtained approval for 2 overseas GMP certifications

Submitted new applications for registration of 6 products (mainly in Pakistan, the Philippines, Uzbekistan, Nigeria)

Kanamycin Solution for Injection (卡那霉素注射液) passed international certification and obtained the WHO pre-qualification certificate

Signed 10 new overseas registration or business cooperation agreements for preparations

Case: Products benefit patients around the world

Assisted reproduction preparation products:

reached approximately 10,000,000 patients in Pakistan

Antiviral chemical preparation products:

reached approximately 300,000 patients in Uzbekistan

6.2 PRODUCT ACCESSIBILITY *(Continued)*

Drug preparation business *(Continued)*

On-patent medicine enters the Southeast Asian market – Ilaprazole Sodium for Injection（注射用艾普拉唑鈉）

To accelerate the accessibility of Livzon's on-patent medicine Ilaprazole Sodium for Injection in Southeast Asian countries, we have initiated the application for high-end PIC/S GMP certification for the production line of Ilaprazole Sodium for Injection through our subsidiary in Malaysia, and accelerated its registration progress in Malaysia to promote the recognition of our original patented new drug in Malaysia, many PIC/S members around the world and non-PIC/S members in Southeast Asia, and to speed up the rapid registration and review of this product in PIC/S GMP countries.

In 2022, we successfully obtained the registration approval for Ilaprazole Tablet and Injection issued by the Indonesian Medical Products Administration (BPOM). Indonesia is a PIC/S member, and the approval of Ilaprazole in Indonesia will accelerate the registrations in more PIC/S members in Southeast Asia and other regions to benefit more overseas patients.

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 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 and alleviate their financial burden.

As at the end of the Reporting Period, LivzonBio had filed for regulatory approval in Indonesia, 5 countries in Central and South America, 2 countries in Central Asia, Pakistan, and other countries, among which launch approval was granted in Tajikistan. We are committed to reaching more infertile people around the world and helping to slow down the trend of population aging.

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") has been approved for emergency use in sequential booster immunization in China's mainland, and has been used for booster vaccination in more than 20 provinces and cities across the country.

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

As at the end of the Reporting Period, the overseas phase III clinical trials of LIKANG had covered multiple regions, including Southeast Asia, South Asia, and Europe, and LIKANG has received clinical trial approvals from 5 overseas countries, where global multi-center clinical trials have been successfully conducted. Specifically, the phase III clinical trials for primary vaccination of LIKANG were conducted in the Philippines, Indonesia and Russia, and the phase III clinical trials for sequential booster protocol of LIKANG as an inactivated vaccine were conducted in Pakistan and Malaysia.

As at the end of the Reporting Period, LivzonBio had submitted EUA applications to the relevant authorities in Malaysia, Pakistan, the Philippines, and Indonesia and had been actively engaged in communication. It is possible to file EUA or marketing authorization applications in more countries in the future. Meanwhile, LivzonBio also cooperated with certain renowned local pharmaceutical enterprises, and made introductions to local regulatory medical authorities, striving to improve the accessibility of COVID-19 vaccines as soon as possible.

In addition, LIKANG has also been certified 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.

6.2 PRODUCT ACCESSIBILITY *(Continued)*

Drug preparation business *(Continued)*

Exploring local production overseas – COVID-19 vaccines

Livzon intends to support overseas cooperative parties to carry out sub-package of Livzon's COVID-19 vaccine (LIKANG) in advance and is expected to achieve local production of COVID-19 vaccines, so as to help people in overseas underdeveloped countries gain easier access to COVID-19 vaccines.

During the Reporting Period, Livzon carried out in-depth communication with cooperative parties and authorities in multiple countries, in hopes of achieving local production and cooperation of LIKANG overseas. In particular, we have submitted a registration application for local sub-packaging of exported stock solution to the Pakistan medical products administration, and have been actively promoting the local production of LIKANG with all parties in Indonesia.

Diagnostic reagents and equipment business

In respect of overseas markets, we actively deployed the full line of COVID-19 test products in 2022, and developed a COVID-19 antigen test kit with the highest speed and priority which was whitelisted for export by MOFCOM, EU CE certified, whitelisted for import to Germany, France, Austria and other countries, and received registration certificates in Indonesia and Thailand. We actively promoted COVID-19 antibody test and COVID-19 antigen test products worldwide, which greatly benefited China and overseas regions (especially developing countries such as Brazil, Indonesia, etc.).

- The Livzon Rapid Test for SARS-CoV-2 Antigen (Lateral Flow)(新型冠狀病毒(SARS-CoV-2)抗原檢測試劑盒(乳膠免疫層析法)), Livzon Nucleic Acid Test Kit for 2019-nCoV (Real-Time PCR)(新型冠狀病毒(2019-nCoV)核酸檢測試劑盒(PCR-螢光探針法)) and 2019-nCoV Neutralizing Antibody Test (Lateral Flow)(新型冠狀病毒(2019-nCoV)中和抗體檢測試劑(乳膠免疫層析法)) consecutively obtained CE certification and other overseas access. In particular, the Livzon Rapid Test for SARS-CoV-2 Antigen (Lateral Flow) also obtained registration in Germany, the United Kingdom, Austria, Thailand, Indonesia and other countries.

6.2 PRODUCT ACCESSIBILITY *(Continued)*

Diagnostic reagents and equipment business *(Continued)*

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.

Cooperation with Fujirebio to reach the global population

During the Year, Livzon Diagnostics cooperated with Fujirebio ("Fuji"), a long-term partner in Japan, to take over the manufacturing of several Fuji products at Livzon Diagnostics. It is predicted that their global supply will be in place by the end of 2023.

The cooperation was built on self-manufacturing and self-marketing by Livzon Diagnostics and OEM. In particular, the products manufactured and marketed by Livzon Diagnostics will be sold in China, Vietnam, Malaysia, Sri Lanka, the Philippines, Thailand, Cambodia and other countries, reaching a large number of local people.

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

In early 2023, 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 (2022) (the "Medical Insurance Catalogue"). A total of 189 products of the Group are included in the Medical Insurance Catalogue, with 92 drugs in the class A list and 97 drugs in the class B list.

Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) (brand name: Yilian (壹麗安)), an original patented innovative drug of the Company, was included in the Medical Insurance Catalogue at the end of 2019 (the renewal negotiation for its inclusion in the Medical Insurance Catalogue 2022 was successful), with a drop of the medical insurance payment price from RMB156 per unit to RMB71 per unit or over 50%, further reducing the financial burden of patients, benefiting more patients, as well as saving medical insurance expenditures for the country.

Moreover, as the payment limit of Ilaprazole Sodium for Injection was cancelled in this national medical insurance negotiation, the suffix remarks of the Medical Insurance Catalogue were changed from "limited to patients diagnosed with diseases indicated in the insert sheets and subject to fasting or having dysphagia" to "Peptic Ulcer and Bleeding" as set out in the insert sheets, which is expected to benefit more patients.

Case: Improved affordability in the domestic market – HIV test reagent

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.

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 differentiated 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 will 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 **25** 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 generic R&D process, and intend to replace expensive original products to reduce people's economic burden.

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 and relatively high cost of drugs in emerging markets/developing countries as compared with developed countries, Livzon thrives to provide APIs of high quality and favorable prices in emerging markets/ developing countries, so as to lower the drug cost of the target country's market; • In the market promotion of emerging markets and developing markets, Livzon sets relatively favorable prices based on local living standard and medical level; • Adhere to the equitable pricing principle in sales for domestic markets. Livzon provides certain price discounts to our domestic strategic cooperation partners according to the purchase volume by signing year-round supply agreements; • Although COVID-19 has caused demand increase in certain markets, Livzon basically maintained the original price in the face of rising production costs, logistics transportation costs and various other costs, in order to ensure the affordability of its products.	• Livzon has conducted business cooperation with approximately over 50 customers in India, providing 19 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%-40% lower than those of the developed countries; • Certain high-end antibiotic products (including Vancomycin Hydrochloride, Teicoplanin, and Daptomycin, etc.) have a relatively large demand in emerging markets and developing markets, Livzon sets an average selling price in these developing countries, such as India, Argentina, Pakistan and Thailand, lower than that in developed countries by approximately 30%-40%; • 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 countries located in Southeast Asia; • For Recombinant Humanized Anti-human IL-6R Monoclonal Antibody Solution for Injection (Tocilizumab Injection), Livzon waived the market licensing fee for its customers in 3 countries located in Southeast Asia and Eurasia, and accelerated local EUA (Emergency Use Authorization) registration of this product to guarantee the supply of more urgently needed medicines for critically ill COVID-19 patients; • For Recombinant Human Choriogonadotropin alfa 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 terminal selling price of its products, Livzon restricts the distributors by virtue of its distribution rights, limiting the level of increase in the terminal selling price; • Livzon sets more favorable prices for underdeveloped and low-income countries.	• For the COVID-19 antigen test reagents, all registration and certification fees were waived for customers in the Asia-Pacific region; • 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 for inter-country and intra-country markets on the same level;
- Drug preparations comply with the local government's medical pricing policy 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;
- Sell directly to end customers as far as possible, reduce intermediate channels, improve price transparency, understand accurately the purchasing price of end customers, and reduce the cost of local drug supplies.

High-end antibiotic production line approved to improve the affordability of APIs

Market research results show that 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 by European suppliers and tend to remain expensive due to low inventory.

To change this situation, during the Year, Livzon approved the plan for the high-end antibiotic sterile API production line and basically completed the construction. We plan to rapidly enter the end market of sterile API products by relying on our market popularity and well-established registration system, so as to reduce the cost of medicines in emerging markets and developing countries and reach more patients.

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

Due to the growing energy crisis, the manufacturers of preparation products in developed countries are under great pressure to raise prices. This has indirectly led to a sharp increase in the cost of medicines in emerging markets and developing countries. Therefore, the world's top pharmaceutical manufacturers 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, our customers have authorized the Group's API enterprises to manufacture their patented products after conducting strict due diligence and audits on us. In this way, Livzon is making a positive contribution to the universal access to and affordability of pharmaceutical products from international leading brands in emerging markets and developing countries.

6.3 AFFORDABILITY AND EQUITABLE PRICING *(Continued)*

Overseas market *(Continued)*

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 product 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 the only recombinant human choriogonadotropin alfa (r-hCG) product in China market is 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.

Lidebao can be used as a domestic alternative to provide patients with a more economical product option and reduce their financial burden. At the same time, it can also fulfill patient family's desire to fertilize, contributing to mitigating the trend of aging population and declining birth rate nationally.

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 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 RMB50,000-300,000, which is expensive for patients. It has not yet been marketed for sale in China's mainland.

Otsuka's Aripiprazole prolonged-action preparation is covered by a patent until 2025. At present, the original product has not yet been imported into China, where there is no marketed generic drug either. The Aripiprazole Microspheres for Injection (improved new drug) developed by Livzon Microsphere is currently in the clinical trial stage and can provide a prolonged-action treatment preparation for patients once launched in China. As an improved new drug, the product is not subject to patent protection restrictions and thus can fill the gap in the domestic market and break the monopoly of the imported product immediately after its launch to the market. It has good social benefits by reducing the economic pressure on patients.

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 development of local healthcare level, provides trainings for and conducts exchanges with local healthcare workers in light of local development needs, contributing to improving healthcare level and increasing public health.

Training of local healthcare workers

Our Recombinant SARS-CoV-2 Fusion Protein Vaccine（重組新型冠狀病毒融合蛋白疫苗）("LIKANG") has undergone international multi-center clinical trials in developing countries such as the Philippines, Indonesia, Malaysia, Pakistan and Russia. We organized clinical experts to conduct clinical trial-related trainings for healthcare workers of local clinical institutions, so as to standardize the practice and management of clinical trials.

Case: Clinical trial-related trainings conducted in overseas countries

During the Year, 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. This demonstrated Livzon's strength and responsibility and helped developing countries fight against COVID-19.

Case: Trainings for hospital laboratory personnel

Livzon Diagnostics has conducted many trainings and exchange activities for users, laboratory teachers, etc. in the form of exhibitions, in-house meetings, and online videoconferencing. During the Year, Livzon Diagnostics provided trainings for the laboratory personnel of a hospital in Beijing, professionally explaining some characteristics of autoimmune-related diseases and advanced technologies in the industry. It was well received by the healthcare workers and helped the hospital concerned to better use our products to treat patients.

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, empowered local preparation manufacturers to upgrade their manufacturing capacity to meet their applicable international drug manufacturing standards, and assisted local manufacturers in successfully launching their products in the regulated markets such as Europe and the United States.

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 its R&D and quality analysis capabilities, Livzon has developed proprietary methods to break through the technological barriers specific to crystalline form protection, impurity control and detection from European and American suppliers or original product manufacturers. We have also 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 impurity standards.

This has helped preparation manufacturers in developing countries achieve the standards required for regulatory approval in developed countries/developing countries, assisted them in obtaining the certification of test methods, accelerated the commercialization of local preparation manufacturers, and further increased the accessibility of these high-end antibiotics and animal health products in developing countries.

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, we have helped local pharmaceutical enterprises upgrade and improve their production process management, quality control and other links to a certain degree, which can improve the local pharmaceutical industry level.

6.4 ENHANCEMENT OF HEALTHCARE *(Continued)*

Improvement of pharmaceutical supply chains

In order to improve the pharmaceutical supply chains in developing countries, in regard to the Group's sales in developing countries, we will 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.

Under the impact of market environment, logistics transportation was impeded and freight costs increased on a daily basis. Through a comprehensive study of our transportation plans, we provided customers with the optimal transportation plans to avoid the problem of poor freight transport, ensure stable and secure supply, and effectively help save costs for customers.

- We calculated the maximum capacity of FCL shipments based on product packaging, and provided customers with recommendations on total shipment to optimize their freight costs.

- 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.

Through providing real-time product information and storage information to customers promptly, the Group guarantees the timeliness of delivery and saves transportation costs, thus further optimizing the cost and quality of the pharmaceutical supply chains.

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.

As at the end of the Reporting Period, Livzon's product Recombinant Human Choriogonadotropin alfa for Injection(注射用重組人絨促性素)was being registered in Indonesia. From the very beginning of the product registration, we have worked with the local partner to draw up a PV work agreement, establish the communication mechanism and work system for the PV teams of both parties, and conduct research and activities to discover, evaluate, understand and prevent adverse reactions or any other possible drug-related problems after the product launch. This will ensure the scientific and reasonable clinical use of the product in Indonesia after its launch, guarantee the safety of clinical medication, improve the physical condition of patients, and increase their quality of life.

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. During the Year, 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.

Achievements

- As at the end of the Reporting Period, dozens of hospitals in China had included Livzon's Dantrolene Sodium for Injection in their drug stockpile, covering approximately **41%** of provincial districts in China.

- In 2022, the Company co-hosted a total of **27** academic activities related to malignant hyperthermia, further standardizing the clinical use of Dantrolene Sodium for Injection through sharing education with the industry experts.

[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)*

Case: Successful treatment of a child with malignant hyperthermia

In March 2023, during a surgery at Zhumadian Hospital of Traditional Chinese Medicine, a 10-year-old boy from Zhumadian, Henan Province experienced an abrupt increase in end-tidal carbon dioxide concentration, heart rate, and body temperature (reaching up to 42°C). The chief anesthesiologist and higher-ranking anesthesiologists swiftly diagnosed the condition as "malignant hyperthermia" and immediately began the process of malignant hyperthermia treatment. The hospital administrators proactively secured the only available therapeutic dose of Livzon's Dantrolene Sodium for Injection in Henan Province and successfully treated the child's hyperthermia during the surgery.

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.

LivzonBio's Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection（注射用重組人源化抗PD-1單克隆抗體）("LZM009") can inhibit or activate the receptor by targeting regulatory proteins, thus exhibiting enhanced immune response and having an effect of tumor therapy. LZM009 is primarily a recombinant humanized anti-PD-1 monoclonal antibody. PD-1 is a milestone target in tumor immunotherapy, and the combination with PD-1 has become the prevailing direction of immunotherapy.

As at the end of the Reporting Period, LZM009 had completed subject enrollment for its phase II clinical trial, which had met its pre-defined efficacy endpoints, and it was undergoing efficacy and safety observations. 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. The cooperation between the two parties is currently progressing smoothly.

6.7 RATIONAL USE OF DRUGS

Livzon has acknowledged resistance to antibiotics as one of the major public health risks 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.

As a drug R&D enterprise, our important task is to research and develop new products to solve the problem of antibiotic resistance and other antimicrobial resistance. To address the existing problem of antibiotic resistance and other antimicrobial resistance, Livzon has actively conducted drug R&D and cooperated with related parties in relevant R&D.

Livzon has a series of anti-infection products, and we attach great importance to reasonable clinical use of antibiotics. Livzon promotes 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 measure such as the Administrative Measures for the Clinical Application of Anti-bacterial Drugs and the Notice on Further Strengthening the Management of Anti-Microbial Drugs to Suppress Drug Resistance. In combination with the Directories for the Hierarchical Management of Clinical Application of Antibacterial Drugs consecutively printed out by various provincial and autonomous regions, we continuously strengthen the management on prescription drugs in the process of drug operation and cooperate with medical institutions in implementing management of hierarchical anti-bacterial drugs and doctor's prescription authorities.

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, Livzon also actively cooperates with hospitals to control the indiscriminate use of antibiotics, assists hospitals in the control of drug-resistant bacteria, and carries 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)*

Drug R&D – Addressing the problem of antibiotic resistance and other antimicrobial resistance

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

Currently, drug resistance of gram-negative bacteria is a rather serious issue, and many antibiotics are ineffective against them. 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, the Group was carrying out the R&D on Polymyxin products. Specifically, Polymyxin E Methanesulfonate (多黏菌素E甲磺酸鈉), our self-developed 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 prescription technique. 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.

The Group 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.

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 sponsored a number of national academic conferences in the field of anti-infection and had in-depth communications and exchanges with clinical experts in the fields of infection, respiratory, blood, ICU, organ transplantation, skin, obstetrics and gynecology, and with scholars engaged in microbiological basic research, so as to jointly promote the development of medical technology.

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 Administrative Measures for Drug Registration, the Administrative Measures for the Supervision on Pharmaceutical Production, the Provisions for the Change Management of Post-approval Drugs (Interim), 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 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.

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.

QRM Policy of Livzon

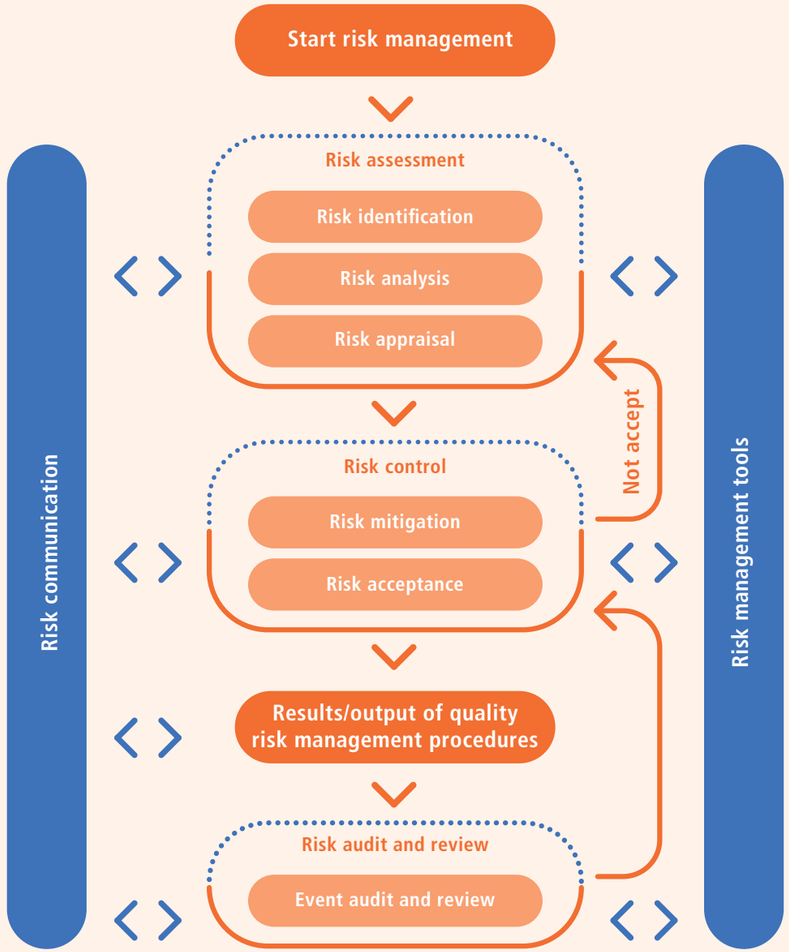
From the perspective of patient safety, Livzon, based on scientific knowledge, strives to properly identify and control the risks of factors involved in the product life cycle, implements dynamic risk management, and rationally allocates resources to achieve continuous control and continual improvement.

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. Please see the process chart as below:

Quality Risk Management Process of Livzon



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 18 audits on drug preparation projects under R&D, including 5 series inspections and follow-up inspections of the R&D project of Recombinant SARS-CoV-2 Fusion Protein Vaccine(重組新型冠狀病毒融合蛋白疫苗), and 4 special inspections and follow-up inspections of Triptorelin Acetate Microspheres for Injection(注射用醋酸曲普瑞林微球).

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 15 audits in 2022.

1 GXP represents Good X (Agriculture, Laboratory, Clinical, Manufacturing, Supply) Practices, collective name for the Good Agricultural Practice, 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 60 days, so as to ensure that the clinical research fully meets the legal requirements and industry standards.

For drug clinical trials, the quality management head office 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 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 quality management head office of the Company conducted audits on 14 clinical trial projects of the Group, 9 clinical trial institutions and 11 biological sample analysis units, with a total of 22 audits. 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 9 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 2022
Drug preparation	• 2 varieties passed the on-site inspection of pharmaceutical registration • 1 variety passed the clinical on-site inspection • 5 varieties confirmed exemption from pharmaceutical on-site inspection
In vitro diagnostic reagent	• 2 on-site inspections of registration of medical devices
API	• 3 varieties passed the registration on-site inspection • 1 variety passed the inspection of the new production scope for pharmaceuticals for human use • 3 varieties passed the GMP compliance inspection • 2 inspections of EU Export Certificate renewal • 1 variety passed the inspection of renewal of the license for veterinary drugs manufacturing and GMP • 1 GMP certification for additional pet pour-on preparation solution production line to the license for veterinary drugs manufacturing

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 2022, 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 2022
International registration		35 registration projects were completed in 11 countries/regions for 19 product specification
Domestic registration		146 products were registered domestically
International certification	Internationally certified varieties	1 variety obtained international certification
	Internationally recognized certificates	2 internationally recognized certificates within the validity period were obtained
GMP compliance status of production lines		A total of 43 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 2022
International registration		133 registration projects were completed in 62 countries/regions for 32 products
Domestic registration		56 products were registered domestically
International certification	Internationally certified varieties	14 varieties obtained international certification
	Internationally recognized certificates	21 internationally recognized certificates within the validity period were obtained (including: 3 certificates for FDA on-site inspections, 15 CEP certificates, 1 EU GMP certificate, 1 Japanese GMP certificate, and 1 Mexican GMP certificate)
GMP compliance status of production lines		A total of 54 production lines were GMP compliant
ISO quality management system certification		2 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 2022
International registration		23 registration projects were completed in 40 countries/regions for 23 products
Domestic registration		121 products were registered domestically (7 drugs with 9 certificates, 114 medical devices)
International certification	Internationally certified varieties	8 varieties obtained international certification
	Internationally recognized certificates	1 internationally recognized certificate within the validity period was 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 regulation and inspection

Livzon has 5 drug preparation enterprises, 5 API enterprises and 1 in vitro diagnostic reagent enterprise. In 2022, Livzon accepted a total of 77 inspections from external regulatory agencies and there were no major or serious defects.

Inspections by External Regulatory Agencies Accepted by Livzon

Type of enterprise	Inspections by external regulatory agencies accepted by the Group in 2022
Drug preparation manufacturing enterprises	Drug preparation enterprises accepted a total of 40 inspections from drug regulatory agencies. All inspections were passed smoothly: • 6 license inspections (mainly new manufacturing sites, new commissioned manufacturers, and changes in production scope of license, etc.) • 17 routine inspections (mainly GMP compliance inspections and daily supervision inspections on marketing authorization holders ("MAHs") and drug manufacturing enterprises, unannounced inspections on the centralized bulk-buying varieties and daily supervision inspections on relevant standards by drug regulatory agencies) • 14 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.) • 3 unannounced inspections
API manufacturing enterprises	API enterprises accepted a total of 21 inspections from drug regulatory agencies. All inspections were passed smoothly: • 3 license inspections (changes in production scope of license, etc.) • 13 routine inspections (mainly GMP compliance inspections and daily supervision inspections, etc.) • 3 on-site inspections of registration of pharmaceuticals for human use • 2 other inspections (EU export certification inspections, etc.)
In vitro diagnostic reagent enterprise	In vitro diagnostic reagents (drugs) accepted a total of 3 inspections from drug regulatory agencies. All inspections were passed smoothly: • 1 follow-up inspection of drugs • 1 daily inspection of drugs • 1 unannounced inspection of drugs In vitro diagnostic reagents (medical devices) accepted a total of 13 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 • 12 special inspections of COVID-19 products

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.

- **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 Pharmacopoeia of the PRC, national pharmaceutical standards and relevant regulatory requirements, we have developed internal quality control standards for finished products, some of which are even stricter than national statutory standards. 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 quality authorizers to release or put them into use.

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 will conduct outsourced inspections of influencing factors, quality research tests, etc.

Quality risk assessment:

- According to the relevant information obtained from the extended investigation of suppliers, 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.

Preventive 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 preventive actions, such as raising quality standards, improving processes, optimizing formulations, etc.; 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 quality of corporate operations. We actively conduct precautionary testing for emerging quality/safety concerns.

Case: Conducting special work on precautionary testing

- **Prevention of production site change risk**

  During the Year, in response to the risks of new production site change involved in Sichuan Guangda's new plant construction project, the Company's quality management head office conducted two on-site inspections and communication, with a focus on reviewing the new plant construction license change, GMP compliance check, and registration inspection strategies, sorted out the technology transfer process and plans, and further strengthened the risk response capabilities of the manufacturing enterprises.

- **Prevention of regulatory risk**

  During the Year, the final version of the annex to EU GMP Annex 1 Manufacture of Sterile Products (13th Edition) was officially published. To improve the aseptic control level of the Group's aseptic preparation enterprises, the Company's quality management head office required all relevant subsidiaries to conduct a gap analysis with a comprehensive reference to these regulations, assess the gaps existing in the enterprises, and formulate and implement targeted improvement measures. Also, to develop an effective drug contamination control strategy, the quality management head office led the preparation and publication of the Administrative Procedures for Contamination Control Strategy (CCS) of Pharmaceutical Products, which further detailed the requirements for aseptic manufacturing of the Group's products.

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 9 quality audits on the Group's drug preparation enterprises, including 1 production follow-up inspection, 4 unannounced inspections and 4 special inspections; conducted 3 quality audits on the Group's in vitro diagnostic reagent enterprise, including 1 special inspection of antigen, 1 unannounced inspection, and 1 special inspection of laboratory; and conducted 12 quality audits on the Group's API enterprises.

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

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(Continued)*

7.4.4 Quality audit *(Continued)*

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.

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 trainings 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 2022, 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 2022, 3 pharmaceutical distributors of the Group accepted a total of 5 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 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 Administrative Procedures for Printing and Packaging Materials 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) to achieve information traceability. 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.

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 Incident 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.

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 manufacturing enterprises of the Group conducted simulated product recalls and emergency drills for product safety emergencies. Verified by the emergency drills, relevant systems established by each subsidiary could help them quickly, orderly and effectively implement product recall 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.

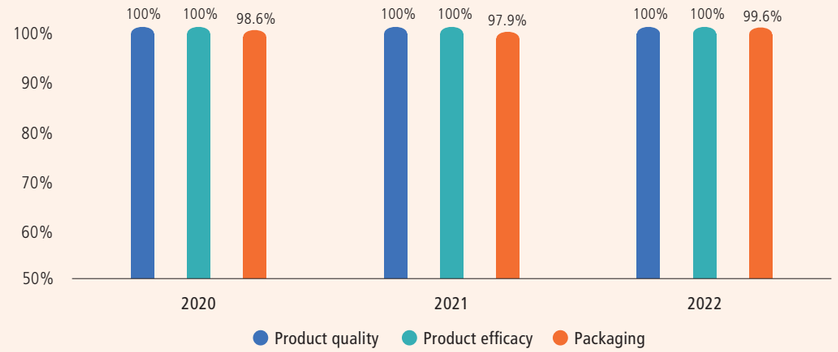
7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(Continued)*

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

Enhancement of customer satisfaction *(Continued)*

In 2022, the Company received 224 feedbacks in written forms from customers. The results showed that customers were highly satisfied with the quality 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 2020 to 2022



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 manufacturing 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 20 medication queries and 77 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 pharmacovigilance 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.

During the Year, to optimize the PV management structure in the clinical research stage, the Company established the pre-market PV head office, which is responsible for managing the pre-market PV system and providing guidance, supervision and professional trainings for all MAHs of the Group on pre-market PV work.

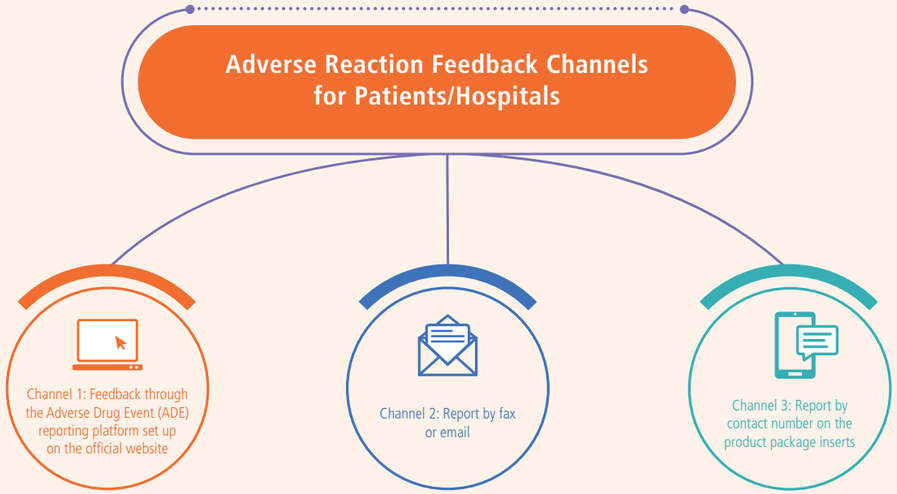
In 2022, the pre-market PV head office developed 15 systems or management documents, such as the Management Procedures for the Handling of Individual Case Safety Reports of Pre-approved Drugs, which improved the Group's pre-market PV system and ensured the orderly progress of the Group's pre-market PV work across the board. As at the end of the Reporting Period, we had completed the collection and deployment of the Group's pre-market PV database, realizing the informatization of the data processing procedures for the Group's pre-market PV, and we had built a pre-market PV system that meets the requirements of GCP, GVP and other regulations.

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 and the Procedures for Adverse Event Monitoring and Control and other systems. The Group collects product safety information (including adverse reactions/events of products) in multiple ways throughout the entire product life cycle, and collates, analyzes and manages it.

Livzon has established standardized and uninterrupted channels for collecting information on serious adverse events of products, and makes three feedback channels available to patients and hospitals, including an ADE reporting platform, to achieve effective monitoring and control of product safety.



Note: To safeguard drug safety for the public, the Company established an Adverse Drug Event (ADE) reporting platform on its official website, and provided feedback hotline 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.

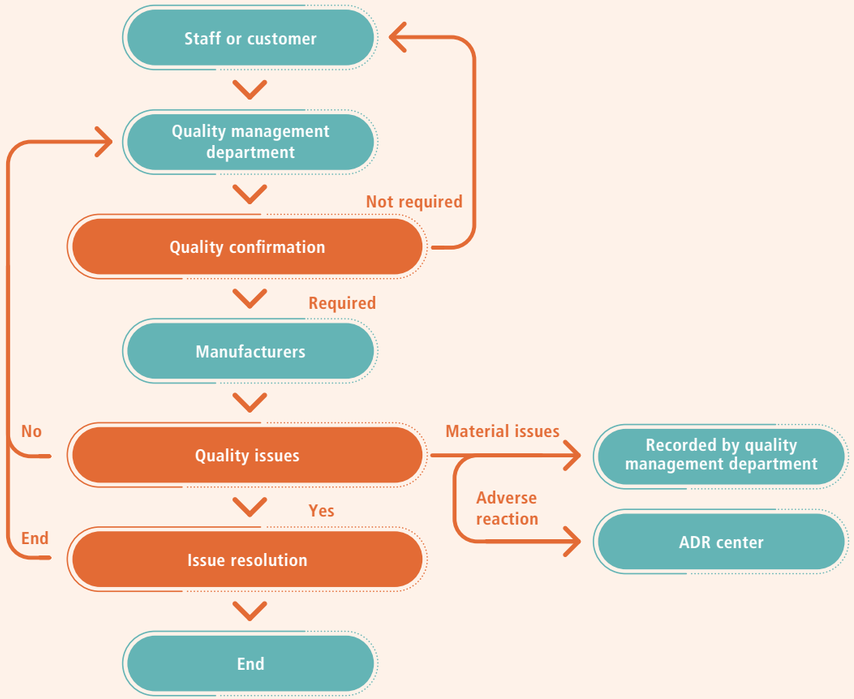
- After the MAH receives the Drug Quality Information Feedback Form, the quality complaint handling procedures shall be activated. For complaints involving adverse drug reactions, in addition to activating the quality complaint handling procedures of the MAH, they shall be handled in accordance with 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.

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

- **Annual quality meeting:** Every year, an annual quality meeting is held regularly 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 quality authorizers 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 introduced. It is 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, entire life cycle compliance".

  In 2022, the Quality Month event was conducted around the theme of "care for health, quality first", with three topics of CCS (contamination control strategy), GVP (the Good Pharmacovigilance Practice) and registration inspection. Five activities including experience sharing session and legal knowledge contest were launched.

7.7 ESTABLISHMENT OF QUALITY CULTURE *(Continued)*

Case: Quality Month event – Special sharing session on drug registration inspection

In September 2022, the Company's quality management head office organized a special sharing session on drug registration inspection in both online and offline forms. Participants included the senior management of the Company and employees of the Group's manufacturing enterprises and R&D enterprises.

During the session, a number of speakers had in-depth exchanges and sharing around the requirements of five documents, including the Work Procedures for Drug Registration Inspection (Trial) and the Key Points and Determination Principles of Drug Registration Inspection, which took effect on 1 January 2022, combining the examples of drug registration inspection. The sharing session improved the Group's employees' understanding of the implementation principles, procedures, timeline and requirements for the drug registration inspection, and increased their ability to manage compliance throughout the drug life cycle, such as drug R&D, registration, and manufacturing.

Case: Quality Month event – Online regulatory knowledge contest

In September 2022, the Company's quality management head office held an online regulatory knowledge contest with a series of regulations on drug registration inspection and the EU annex on sterile products as the core elements. The contest took the form of learning followed by a quiz. There were 3,400 participants, and 71% of participants scored 80 points or above. The knowledge contest improved the employees' professional skills in quality assurance and helped them to have a deep understanding of the importance of quality management in drug manufacturing.

7.7 ESTABLISHMENT OF QUALITY CULTURE *(Continued)*

Case: Quality trainings conducted by some subsidiaries

- **Sichuan Guangda:** During the Year, a total of 164 quality training programs were organized and conducted. The training content included laws and regulations on drug manufacturing management, internal quality documents of the company, special discussions on quality, etc. In nearly 8,000 training hours, 22 regulations were studied. Through continuous quality trainings, employees' awareness of compliance in daily operations and drug distribution and management was effectively enhanced. Besides, in 2022, Sichuan Guangda conducted 47 team building activities at the workshop level and 269 team building activities at the team level, which further improved the quality awareness and accident prevention capabilities of workshop employees.

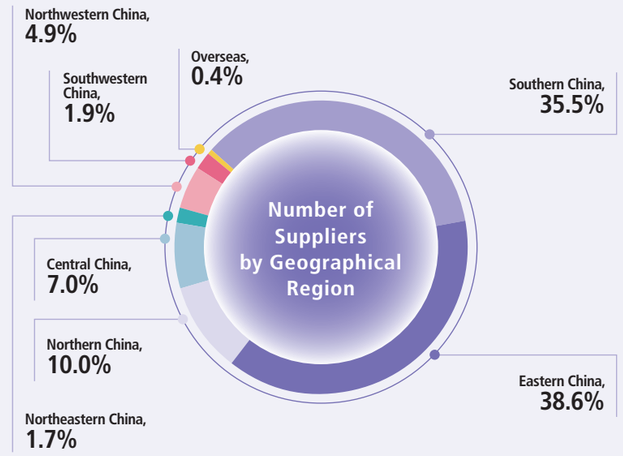
- **Livzon MAB:** During the Year, a total of 797 quality training programs were organized and conducted. Test methods included written, oral and hands-on tests and passing rate reached 100%. The training programs were divided into three categories, namely, company-level regulatory documents and basic knowledge, departmental management documents and department-level common knowledge, and position-specific operation documents and job skills.

- **Fuzhou Fuxing:** From September to October 2022, Fuzhou Fuxing launched the first "Fuxing Quality Month" event, including online learning, knowledge contest, inspection skills contest and outer packaging skills contest. A total of 25 teams participated in all the contests. This event reinforced the training effect through the contests, put into practice what had been learned, and further improved the quality awareness and professional skills of the employees.

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 1,877 suppliers with the following regional distribution:



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 Material Management System, the Administrative Measures for Supplier Entry, and the Administrative Measures for Electronic Procurement to regulate supply chain management.

During the Year, the Company revised the Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal to improve the management requirements such as supplier classification, additional audit on indirect suppliers, and risk assessment, define the role of various departments in supplier appraisal, and provide standard requirements and guidelines for the annual comprehensive appraisal of suppliers. This has further enhanced the comprehensive management of the Group's supply chain in all aspects and multiple dimensions. The Company has also formulated the Administrative Measures for Construction Project Suppliers to strengthen the management of engineering equipment suppliers.

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 addition, we proactively cooperate with suppliers on resolving issues related to product quality and safety; 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.

8.1 SUPPLY CHAIN MANAGEMENT *(Continued)*

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 will give priority to suppliers who have obtained the ISO management system certifications 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:

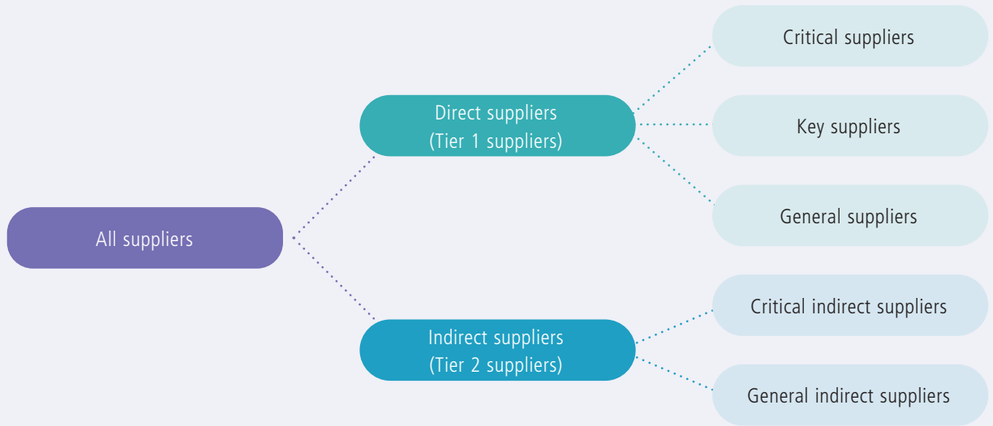
Type of suppliers	Qualification and certification documents
Suppliers of pharmaceutical raw materials and auxiliary materials	Approval number of corresponding material, CDE (Center for Drug Evaluation of the National Medical Products Administration) registration number, quality standard, drug manufacturing 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

Taking into account the comprehensive factors of procurement amount, material category, quality risk, irreplaceability, etc. of suppliers, the Group classifies suppliers into two categories: direct suppliers (tier 1 suppliers) and indirect suppliers (tier 2 suppliers), and will update the annual list of supplier 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; or (4) The suppliers of materials assessed by the quality department as high risk.
	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	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.
	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, 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, etc. In addition, to promote a green and sustainable supply chain, the Group has included suppliers' EHS performance 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 implement 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

During the Year, the Group completed audits on 764 suppliers, including 165 on-site audits and 599 written audits. The completion rate of audits exceeded 100%. For issues identified during audits, we have overseen suppliers' remedies in a timely manner and paid continuous attention.

8.1 SUPPLY CHAIN MANAGEMENT *(Continued)*

8.1.4 Annual comprehensive appraisal

In the first quarter of each year, the supply chain departments of the Company and its subsidiaries engage production departments, quality departments, risk management departments, EHS departments and other relevant departments in completing the annual comprehensive supplier appraisal for the previous year. 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 management for review.

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

- suppliers' qualification
- suppliers' certification
- suppliers' delivery timelines
- 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 defects

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 will issue excellent supplier certificates and may increase procurement volume; for suppliers whose appraisal results are unqualified, we will suspend the procurement and request immediate correction, and 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.

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 and trainings, to achieve win-win cooperation.

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. 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;
- Engage suppliers in discussion about how to solve issues related to product quality and safety together and reach an agreement regarding supply quality;
- Provide annual 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.

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 11 key medicinal materials, including isatis root, rehmannia glutinosa, acorus gramineus, patchouli, curcuma aromatica, anemarrhenae rhizoma, forsythia suspensa, rhizoma paridis, subprostrate sophora root, panax notoginseng, divaricate saposhniovia root, etc., providing raw medicinal materials with uniform and stable quality for the production of key varieties.

In Hunyuan County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province – the genuine producing areas of astragalus roots, our self-built bases and jointly built bases cover an area of 5,000 mu and 10,000 mu, respectively. These astragalus root bases adopt a cultivation model in which astragalus roots are 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 roots are produced.

With the increasing market demand over the past few years, the resources of wild acorus gramineus have been gradually 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 gramineus cultivated in simulated wild conditions. The base area is planned to reach more than 2,000 mu in the next five years. To improve the quality of acorus gramineus, we have completed the construction of cleaning processing workshops in the producing areas of acorus gramineus, together with a local pharmaceutical enterprise, to unify the processing of acorus gramineus 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 in the market 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 13 key medicinal materials. This 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 plan to further increase the proportion of content in relation to business ethics, anti-corruption, EHS, and social responsibility in trainings in 2023, 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

Livzon, together with its supply chain partners, is actively exploring ways for quality improvement. In December 2022, Sichuan Guangda held a quality training for suppliers, which was actively attended by 30 suppliers of production materials, including suppliers of bulk medicinal materials, raw materials/auxiliary materials, and packaging materials. During the training process, Sichuan Guangda emphasized the contents such as acceptance criteria and usage requirements of commonly used traditional Chinese medicinal materials, supplier quality requirements, quality audit management procedures, quality agreement requirements, supplier rating schemes, EHS audit requirements, target management requirements of energy conservation and emission reduction, etc. Discussions were held on the summary of material quality issues. This training further improved the communication between the two parties and strengthened the suppliers' understanding of Livzon's quality requirements, thereby helping improve the quality of the supply chain.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN

To promote the establishment of a clean supply chain, the Company has formulated 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.

During the Year, the Company formulated and issued 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 listed as an ineligible supplier and will not be allowed to participate in any of the Group's construction projects for three years.

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%.

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 sample commercial contracts of the Group, which require 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. 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 which are in the legal form of the signing of commitments and contracts, the Group's anti-corruption policy has become materially binding on all suppliers and other counterparties.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN *(Continued)*

External constraints and supervision *(Continued)*

In addition, to verify whether suppliers have complied with the anti-corruption policies of the Group, we regularly evaluate suppliers' performance of business ethics such as anti-corruption on an annual basis: 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. In daily operations, the risk control departments of each enterprise of the Group will continue their supervision on the procurement process and provide suppliers with trainings on business ethics such as anti-corruption.

At the same time, supplier integrity audit is also an important way for us to supervise and verify suppliers' implementation of the Group's anti-corruption policies. The Group conducts regular supplier integrity audits every year to ensure legal compliance at all levels of the supply chain.

Supplier integrity audits

We conduct anti-corruption audits on critical supplier and key suppliers every year, and require all subsidiaries to report annually to the risk management head office of the Company. During the Year, we conducted anti-corruption audits on 764 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 (purchasing) files, contracts, financial payments and other documents to ensure the compliance of each business and avoid the occurrence of bribery and corruption.

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;
- Multiple departments form an evaluation team to conduct inspections and reviews from different aspects such as corporate strength, legal risks, and operation compliance.

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

- The Company's risk management head office conducts on-site supervision;
- The whole process is traced in the SRM system.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN *(Continued)*

Internal regulation and management *(Continued)*

Case: Provided supply chain trainings on anti-corruption, etc. for suppliers and employees

In July and November 2022, Livzon Hecheng and Livzon MAB conducted themed anti-corruption trainings for suppliers, respectively, to inform suppliers of our integrity requirements, so as to regulate the conduct of suppliers and prevent the occurrence of commercial bribery and other corruption incidents.

In December 2022, Sichuan Guangda conducted an online anti-corruption training for the Company's procurement personnel and over 20 suppliers, which restated the requirements of compliance at all levels of the supply chain, such as material procurement, to prevent operation without due process, commercial bribery, corruption and other violations of laws and regulations.

In March, June, and September 2022, the Group organized, through an online form, all of the Group's employees in supply chain positions to participate in a special training on supply chain in three sessions. The training included 103 lessons on the establishment of clean supply chain, supply chain control, supply chain management, production procurement, etc.

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:

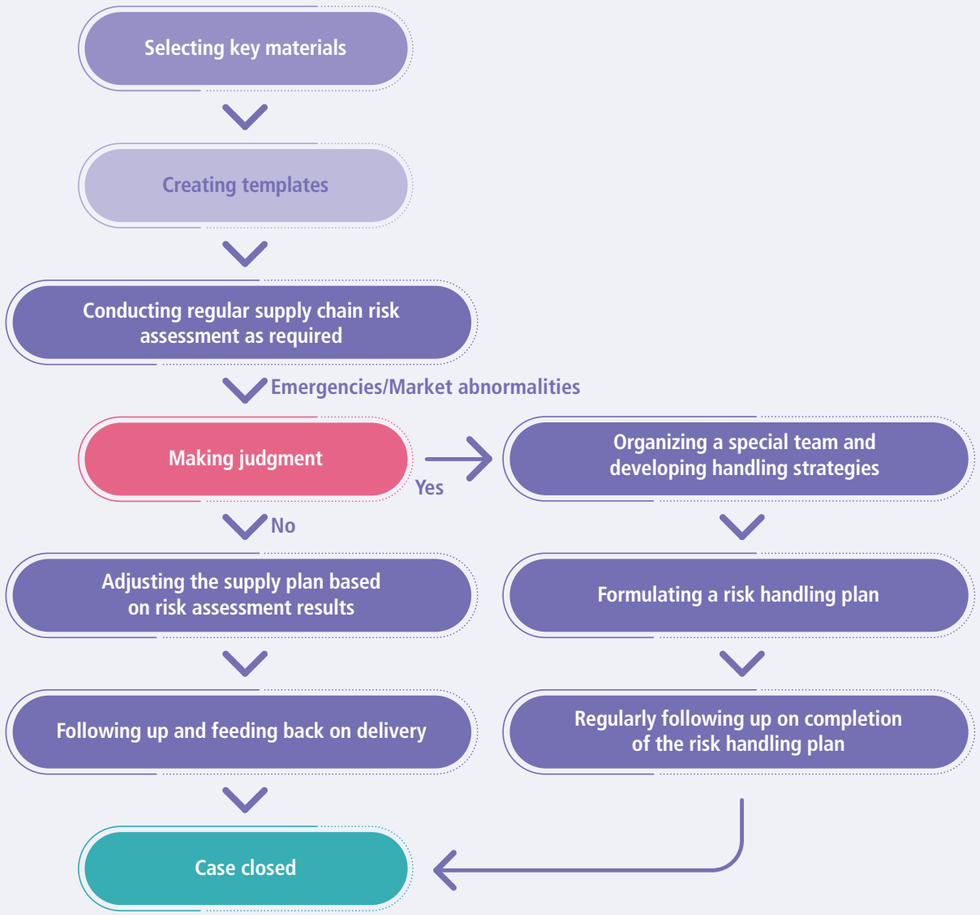
- The supply risk assessment of critical suppliers shall not be less than four times a year.
- The supply risk assessment of key suppliers shall not be less than twice a year.
- The supply risk assessment of critical indirect suppliers shall not be less than once a year.
- The supply risk assessment 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.

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;
- Ensure the availability of 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.

8.5 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 conduct EHS audits on suppliers and impose green development requirements such as energy conservation and emission reduction on suppliers. 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 the comprehensive evaluation of market-based procurement. We are expecting concerted efforts with our supply chain partners to establish a green and low-carbon sustainable supply chain.

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.

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 pollutant (including toxic release such as waste gas, wastewater, hazardous waste, etc.), the compliance of solid waste collection and disposal, the ISO system certification, the progress of safety standardization, 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.

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)*

- 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;
- 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 actively provide guidance, advice and ESG trainings 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. Through the above series of measures, we have proactively established a green supply chain and achieved sustainable procurement.

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: "Performance Appraisal of Pharmaceutical Qualified Persons" Forum

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 drafting the Guidelines for the Performance Appraisal of Qualified Persons in Guangdong (Trial) and the Implementation Rules for the Performance Appraisal of Qualified Persons in Guangdong (Trial). In December 2022, Limin Factory successfully organized a pharmaceutical manufacturing quality forum on the topic of "Performance Appraisal of Pharmaceutical Qualified Persons".

During the "Performance Appraisal of Pharmaceutical Qualified Persons" Forum, we organized the interpretation of the guidelines and implementation rules for the performance appraisal of pharmaceutical qualified persons to guide various enterprises in the industry to perform appraisal tasks, thereby promoting the implementation of the performance appraisal of pharmaceutical qualified persons in Guangdong Province. Through this activity, we have helped the pharmaceutical industry in Guangdong Province to become familiar with the relevant requirements of performance appraisal and also improved our own level of production quality management and qualified person management.

8.6 DRIVING INDUSTRY DEVELOPMENT *(Continued)*

Case: Workshops on the explanation of the new version of the Good Agricultural Practice for Chinese Crude Drugs ("GAPCD")

- In March 2022, the Company's subsidiaries and its traditional Chinese medicine business department participated in several training workshops on the explanation of the new version of GAPCD provided by the Professional Committee of Traditional Chinese Medicinal Materials Cultivation of the China Association of Traditional Chinese Medicine. In addition, the Company's traditional Chinese medicine business department also invited professors from Beijing University of Chinese Medicine to provide relevant guidance and training on the GAPCD.

- In July 2022, the Company's traditional Chinese medicine business department participated in the Sichuan-Chongqing Region Traditional Chinese Medicine Development Forum held in Chengdu by the Professional Committee of Traditional Chinese Medicinal Materials Cultivation of the China Association of Traditional Chinese Medicine, so as to take an active part in research on the development of traditional Chinese medicinal materials in the region.

Case: Participated in a research project of Guangdong Provincial Medical Products Administration

During the Year, Livzon Hecheng, as a member of the Guangdong Drug Compliance Insurance Organization (the "CIO"), actively participated in the research and discussion of the project of Guangdong Provincial Medical Products Administration – "Tracking and Evaluation Research on the Out-of-Province and Off-Site Workshops of Pharmaceutical Manufacturers in Guangdong Province" undertaken by the CIO. Livzon Hecheng invited experts from the CIO to conduct research at the on-site and off-site workshops, and shared the experiences of managing the off-site workshops with the experts. These experiences will facilitate the approval of more off-site workshops in Guangdong Province and promote a more scientific supervision.

8.6 DRIVING INDUSTRY DEVELOPMENT *(Continued)*

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

- Pharmaceutical Supply Chain Quality Branch of the 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
- Professional 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 Quality Management Association of Pharmaceutical, Health and Cosmetic Products
- Sichuan Pharmaceutical Industry Association
- Guangdong Bio-pharmaceutical Innovation Technology Association
- Guangdong Food & Drug Technology Association for Evaluation & Certification
- Guangdong Food and Drug Anti-Counterfeiting Association
- Guangdong Province Pharmaceutical Industry Association
- Guangdong Association of Traditional Chinese Medicine
- Guangdong Pharmaceutical Price Association
- Guangdong Preventive Medicine Association
- Technology Innovation Alliance for R&D of Vaccines for Emerging Infectious Diseases
- Guangdong Drug Compliance Insurance Organization
- Shanghai Pharmaceutical Profession Association

9 TAKE HUMAN AS THE FOREMOST

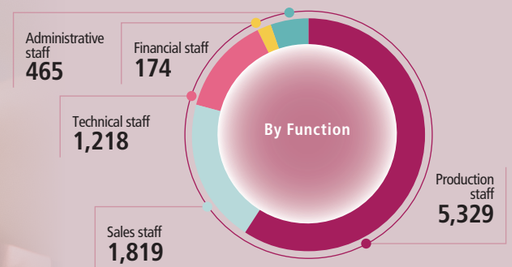
Livzon upholds the talent cultivation philosophy of "Employees are the Company's most valuable resource, and high-caliber talents are the Company's most important asset", adheres to the principle of diversity and inclusion, and actively expands the channels for talent introduction. Attaching great importance 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.

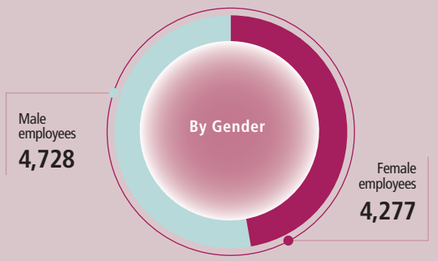
9.1 EMPLOYMENT

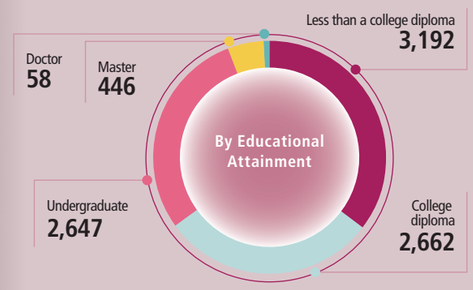
Livzon always considers high-quality talents as the core competitiveness for corporate development. We are committed to protecting the legitimate rights and interests of employees, standardizing employee recruitment and employment processes, improving the employment management system, and eliminating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

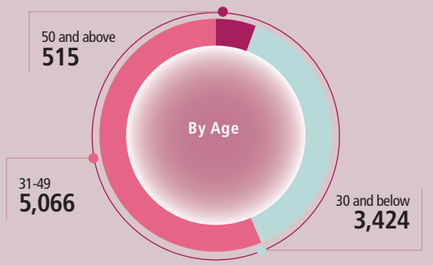
As at the end of the Reporting Period, the Group had a total of 9,005 employees (31 December 2021: 8,580 employees).

Livzon's Number of Employees in 2022









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. Livzon also abides by the United Nations Global Compact, the core conventions of the International Labor Organization ("ILO") and other external mandates related to human rights protection.

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 (2022) 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 pay for equal work.

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 (2022) 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 non-sexual harassment against the will of others by means of oral language, written texts, images, physical behavior, etc. 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 this regulation.

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.

14

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

15

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.

9.1 EMPLOYMENT *(Continued)*

9.1.1 Compliant employment *(Continued)*

Summary of the Labor Code (2022) of Livzon *(Continued)*

16

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.

17

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 the termination of labor contracts and commercial contracts. Those whose actions are suspected of constituting a crime shall be transferred to judicial organs for handling.

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

2022 Zhuhai Top Ten Doctoral and Postdoctoral Innovation Demonstration Platforms (Human Resources and Social Security Bureau of Zhuhai)

2021 Fuzhou Credible Employer (Human Resources and Social Security Bureau of Fuzhou)

China Best Employer Award 2021, China Most Intelligent Spirited Employers 2021 (Harvard Business Review, Zhaopin.com, National School of Development of Peking University, Institute of Social Survey of Peking University)

2020 Harmonious Labor Relations Enterprise in Fuzhou (Human Resources and Social Security Bureau of Fuzhou, Fuzhou Federation of Trade Unions, Fuzhou Enterprises and Entrepreneurs Confederation, Fuzhou Federation of Commerce & Industry)

2020 China's Best Employers during Covid-19 (Hurun Report, Baifu Meet Future, 51job)

9.1 EMPLOYMENT *(Continued)*

9.1.2 Protection of human rights

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 pay 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 measures 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 measures for the following year.

- **Mitigation & remediation measures**

  Each enterprise of the Group is responsible for implementing its own mitigation and remediation measures, 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 measures 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 Protection of human rights *(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 were anti-discrimination, anti-harassment, anti-forced labor, physically and mentally healthy working environment, and freedom of association, which mainly involved employees of the Group.

For each human rights risk identified, we developed and implemented effective mitigation and remediation measures, which were taken by enterprises of the Group and monitored by the ESG Committee. As at the end of the Reporting Period, a total of four enterprises of the Group had implemented mitigation measures for human rights risks, including rationalizing production shifts, increasing trainings on human rights protection, regularly holding workers' representatives conferences and soliciting employee opinions, conducting inspections of the working environment from time to time, etc. These 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.

During the Reporting Period, we 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.

During the Year, we re-examined the diversity targets of the Group. Based on the targets achieved in previous years and according to the actual needs of business development, we set a quantitative diversity target of "having no less than 49% female employees by 2032".

9.1 EMPLOYMENT *(Continued)*

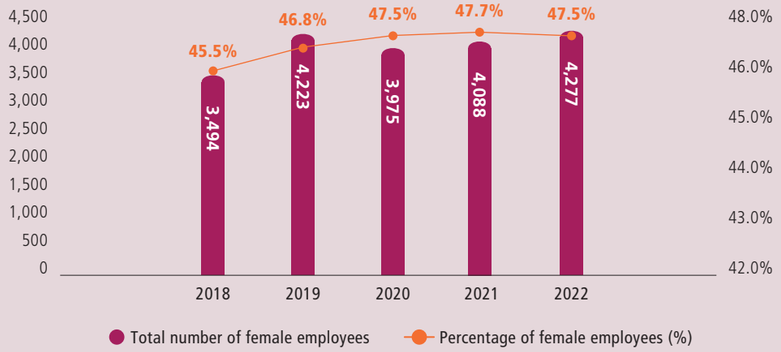
9.1.3 Diversity and inclusion *(Continued)*

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.

As at the end of the Reporting Period, the age distribution of the Group's employees was as follows: 38% aged 30 and below, 56% aged 31-49 and 6% aged 50 and above. The gender ratio of the Group's employees remained stable, with female employees representing 47.50%. In particular, the number of women in management positions at manager level and higher level was 397, accounting for 34%. The executive management of the Company had a total of 8 members, of which 2 were women, representing 25%; the average percentage of women in the executive management of the Company over the past three years (2020-2022) was 25%.

Geographically, the Group had a total of 540 employees from 23 ethnic minorities and 11 foreign employees. The overall employee structure tended to diversify.

Livzon's Employee Distribution by Gender from 2018 to 2022



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, the Company 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 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 having more employment requirements for women than men 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 measures 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 96% of the employees were satisfied with the Group's current diversity and anti-discrimination management measures. The two measures of "conducting diversity training" and "equal career development and promotion opportunities", in particular, were considered the most important measures for diversity and anti-discrimination management, respectively. 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.

Case: Diversity training for the management

In December 2022, the Company conducted a special training on "Creating a culture of diversity" for the management, which covered all management officers of the Group. The training covered the exploration of the culture of diversity, the importance of diversity, the five barriers to a culture of diversity, seven activities for building a diversity organization, etc. Through this training, the Group's management officers at multiple levels learned in-depth how to lead employees in a thinking of diversity and inclusion, allowing them to better understand the characteristics of different employees in their future work so that each employee could feel cared for and valued.

9.1 EMPLOYMENT *(Continued)*

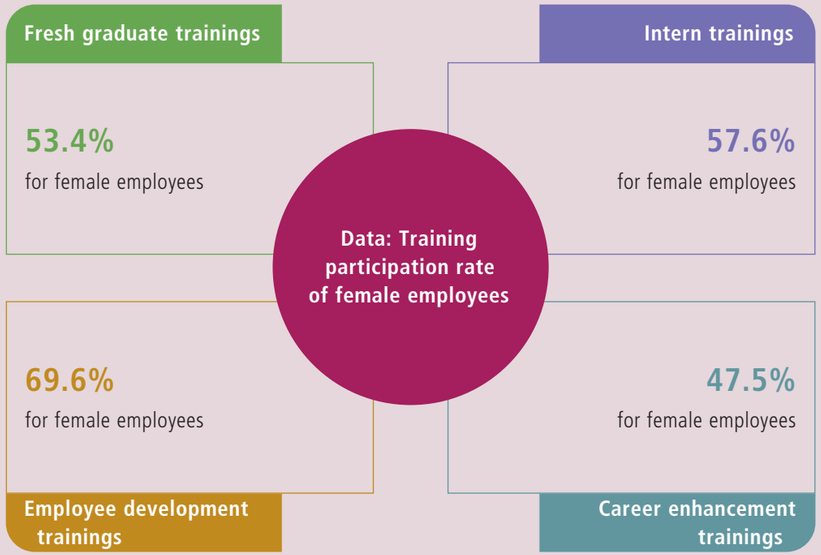
9.1.3 Diversity and inclusion *(Continued)*

Mechanisms promoting diversity *(Continued)*

- **Trainings and activities – Building a culture of diversity**

In order to develop the awareness and cultural philosophy of diversity, equality and inclusion in daily work, we regularly provide diversity trainings for all employees every year, covering diversity, inclusion, impartiality, anti-discrimination, etc. During the Year, the Group's diversity trainings covered all (100%) employees of the Group. Employee satisfaction with the trainings reached 90% and the philosophy of diversity was fully promoted and implemented.

We pay close attention to the career development of female employees and encourage their active participation in various training programs of the Group. At the same time, 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)*

- **Trainings and activities – Building a culture of diversity** *(Continued)*

Case: Female leadership development training program

During the Year, we offered a "female leadership" training program on the Company's online learning platform for all employees, covering topics such as leadership awareness, leadership style, and interpersonal communication skills. The program was enthusiastically received by female employees, whose participation rate reached 100%.

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

  During the Year, 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 and promoting cultural exchanges among ethnic groups.

- During the Year, in order to help the newly recruited Tibetan employees better adapt to working and living in the local environment, Sichuan Guangda appointed people to guide the Tibetan employees to visit local scenic spots, temples, restaurants, etc., with Tibetan cultural characteristics, so as to facilitate their local integration. At the same time, Sichuan Guangda also prepared dedicated ethnic diets for ethnic minority employees, and offered such benefits as "Eid al-Fitr" holiday leave.

9.1 EMPLOYMENT *(Continued)*

9.1.3 Diversity and inclusion *(Continued)*

Mechanisms promoting diversity *(Continued)*

- **Material benefits – Facilitating diversity**
  On top of organizing trainings 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.

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 47 and 67 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 12 years of experience in the operation and management of pharmaceutical enterprises and capital market operation and over 5 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.

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.

During the Reporting Period, we 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. For more details on the grievance escalation procedures, please refer to Section 9.3.1 "Grievance escalation procedures" of this chapter.

We conduct anti-discrimination and anti-harassment trainings for all employees at least once a year, and use questionnaires to understand employee satisfaction and opinions, in order to develop and implement improvement measures and continuously strive to create a fair, respectful, and inclusive working environment for employees.

Case: Provision of gender equality, anti-discrimination and anti-harassment trainings for all employees

In 2022, the human resource head office of the Company organized all employees of the Group to participate in online trainings on topics such as gender equality and business ethics. Covering gender equality, anti-discrimination, anti-harassment (such as workplace sexual harassment), and professional ethics, the trainings aimed to enhance employees' awareness of proper conduct and provide employees with a good working environment.

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, we achieved certain results in terms of talent retention. The employee turnover of the Group was 10.82% (2021: 11.11%), showing a downward trend from the previous year. 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 induction 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;
- Provide comprehensive trainings for employees and develop career planning for employees;
- 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.

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, 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, and continues to increase its efforts in recruiting talents, 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.

University-enterprise cooperation

To enable complementary advantages and mutual benefits in talent training, Livzon has established in-depth 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, Zhejiang University, China Pharmaceutical University, and Shanghai Jiao Tong 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.

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. During the Year, there were 16 employees of the Company enrolled in the programs of Shenyang Pharmaceutical University. Through studying the specialized courses, they continuously refined their medical knowledge system and improved their professional skills. In addition, the Company assisted its subsidiaries in launching joint training programs with Jinan University and supported newly-arrived doctors to conduct post-doctoral scientific research work at Jinan University.

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 continuously stimulates organizational vitality. In strict accordance with the Training Management System, we standardize training management, constantly innovate training content, models and methods and complete training supporting resources to systematize and institutionalize staff training and keep building a workforce that matches business development needs.

During the Year, we provided employees with all-round and multi-dimensional trainings, including general trainings (e.g. business ethics, responsible marketing, data security and privacy protection, diversity, management, leadership, etc.), job-specific professional skills trainings (e.g. production, R&D, EHS, etc.), and trainings for employees at multiple levels (e.g. fresh graduates, new hires, junior management, middle management, etc.). The training programs were rich and diverse. During the Reporting Period, each employee of the Group had an average of 80.11 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 and to provide feedback and follow up on the effectiveness of training by means of questionnaire collection and offline interviews with the trainees.

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 will 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 program

In July 2022, Fuzhou Fuxing launched various training programs for newly recruited graduates, with a total duration of 960 hours for all trainees. The activities, including orientation, production knowledge training, on-site visits, club presentations, outdoor quality development, and debate competitions, allowed new employees to quickly understand and integrate into the company, familiarize themselves with the corporate culture, and united the team. Meanwhile, these activities fully demonstrated the abilities of new employees, helping departments understand new employees and plan career paths suitable for them.

Case: Apprenticeship program

During the Reporting Period, the Company's sales center of API business department conducted an apprenticeship program for new employees. The trainees studied according to the training plan, and the mentors were responsible for coaching and supervising in the whole process and providing one-on-one mentoring. The trainees wrote 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 better prepared them for their work and integration into the Company's environment.

9.2 TALENT MANAGEMENT *(Continued)*

9.2.2 Talent development *(Continued)*

Job-specific development trainings

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 trainings for employees based on the annual training plans, business development requirement and job competency requirements, 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 qualification 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 R&D personnel with training 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 73 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 trainings *(Continued)*

Case: Development training for production positions

From June to October 2022, Fuzhou Fuxing conducted a 4-month special training for observers at special operation sites. The participation rate of employees in work safety-related positions in all departments was 100%, and the participants were 295 employees from 13 departments. After the training, the participants must take and pass an examination before they could become work observers.

The purpose of the training was to further improve the safety awareness and professional knowledge level of the observers, enabling them to become more familiar with the requirements of special operations, apply their knowledge, and become qualified observers. In the future, special training and examination for special operation observers will continue to safeguard the Company's special operations and work safety.

Case: Development training for sales positions

During the Year, the Company's sales center of API business department conducted the training of "Exploring brand awareness and promotion, and analyzing current marketing strategies with traffic thinking" for sales staff, aiming to improve sales staff's ability in target customer management, business management and marketing thinking development.

This training analyzed many successful brand cases, and described how to determine the target audience and how to develop effective marketing strategies to gain customer recognition of the brand value to finally create marketing strategies for brand benefits. This training greatly benefited the sales staff and improved their ability of target customer management and business management.

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.

During the Year, the Company 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.

9.2 TALENT MANAGEMENT *(Continued)*

9.2.2 Talent development *(Continued)*

Talent succession 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, management trainee training camp, 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 Group implemented the talent succession planning by promoting top-performing employees in terms of comprehensive ability and professional skills and increasing their salaries.

We conduct various forms of managerial and leadership development trainings 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 trainings cover employees at multiple levels, including junior staff, executives, junior management, middle management and senior management.

- **Induction 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 trainings, 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 five series of special training courses 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 "Five Disciplines for Excellent Managers" 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 EMBA class, MBA class, and training courses such as human resource management, current economic situation analysis, efficient management communication skills, pyramid thinking, etc.

9.2 TALENT MANAGEMENT *(Continued)*

9.2.2 Talent development *(Continued)*

Talent succession and leadership development *(Continued)*

During the Year, the Group's managerial and leadership development trainings amounted to approximately 74,105 hours, covering all (100%) of the Group's employees. During the Reporting Period, among the employees who participated in the managerial and leadership development trainings provided by the Group, a total of 507 employees received promotions (representing 6% of the total workforce), of which 35% were women, and a total of 205 employees successfully succeeded in management positions.

Case: Middle and senior management training

During the Year, to strengthen employees' awareness of corporate management and develop an efficient management and operation pipeline, we provided one session of a 6-month EMBA program and two sessions of a 3-month MBA program for middle and senior management. Specifically, the EMBA program had 266 lessons including high-level management, leadership, management innovation, strategic management, etc.; the MBA program had 104 lessons including leadership awareness, execution capability, organizational change, etc. To effectively measure the learning outcomes of employees, we also provided the training programs with exams. According to the exams, the pass rates of the two programs were 88% and 95%, respectively.

Case: Junior management training

In November 2022, we conducted the training of "Lead to Succeed – Five Disciplines for Excellent Managers" for all junior management in a combination of online and offline forms. The training program content included: role definition to enhance leadership; collaborative goals to improve execution capability; delegation and empowerment to achieve employee self-management; coaching to develop subordinates' abilities; performance management to achieve organizational goals, etc. The training effectively improved the leadership and management capabilities of junior management employees.

9.2 TALENT MANAGEMENT *(Continued)*

9.2.2 Talent development *(Continued)*

Talent succession and leadership development *(Continued)*

Case: Special leadership training for employees at multiple levels

During the Year, Livzon Diagnostics conducted special leadership training for senior management, middle management, junior management, executives, and professionals. The theme of the training was "Human Resource Management for Non-Human Resource Managers" with a total of 43 participants. This training was designed to help line managers establish appropriate management concepts, learn and master process management tools, and provide suggestions on how to address the challenges of selecting, employing, training and retaining talents in the work, so as to improve the effectiveness of business management.

Case: Talent development program

From September to November 2022, Fuzhou Fuxing engaged a leading domestic human resource technology company to conduct a talent development program. The training participants of the program involved 69 managers at multiple levels, including 5 directors or higher level, 20 department managers, and 44 department deputy managers, supervisors and high-potential employees. The training duration was 552 hours. The content of the program included the establishment of general capability models at high-potential, manager and director levels, team profiles at multiple levels, the distribution of current managers in a 9-box grid, succession maps of talents in various fields, etc.

This program generated the management capability profile of managers at multiple levels through evaluation, so as to understand the differences in the evaluations of managers by superiors, co-workers, subordinates and themselves, as well as the reasons thereof, the fitness of and risks to managers in their current positions, and the potential for and risk of subsequent promotion. The training helped managers at multiple levels recognize their own strengths and weaknesses, and provided guidance on how to improve their abilities based on their shortcomings. The training also established a talent file for Fuzhou Fuxing, providing data support for its subsequent talent promotion, level evaluation, performance appraisal, etc.

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.

During the Year, the Company issued 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, 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 qualification 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

9.2 TALENT MANAGEMENT *(Continued)*

9.2.2 Talent development *(Continued)*

Support for degree programs and certifications *(Continued)*

For the professional and technical titles, vocational qualifications 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.

We have also established the Rules of the Training of Doctoral Candidate (or Master Degree Candidate in Management) for Permanent Employees to support employees to upgrade their degrees through on-the-job master's or doctoral degree programs or masters in management programs. We provide full tuition fee subsidies for employees who graduate and obtain their degrees on time, and ensure that employees are also entitled to standard salary, year-end bonus and corresponding project incentives during their studies.

At the same time, according to the local government's talent policy, the Company actively assists employees in the talent application and other work every year in order to help them apply for local qualifications and certifications for high-level talents, craftsmen, young top-notch talents, talents for industrial innovation and development, innovation teams, etc.

As at the end of the Reporting Period, 16 employees of the Company were studying in the programs of Shenyang Pharmaceutical University. In the same period, the Company helped 9 employees successfully apply for postgraduate programs.

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 income 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.

- **Exploration of various types of appraisal**

  In order to actively mobilize employees' initiative, creativity and enthusiasm, we are actively exploring various types of performance appraisal. Apart from using KPI as the main performance appraisal method, some units and subsidiaries of the Group are experimenting with various types of performance appraisal such as OKR (Objectives and Key Results), BSC (Balanced Score Card) and 360° Feedback, in order to seek a more scientific, reasonable and operable performance appraisal management method.

- **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.

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 measures.

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 20 May 2022, the Second 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 purchased a total of 2,057,711 shares of the Company by way of centralized bidding transaction in August 2022, with a transaction amount of approximately RMB64,951,400. A total of 78 employees participated in the Stock Ownership Plan, including 9 directors (excluding independent directors), supervisors and senior executives, and 69 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 incentive participants, so as to facilitate the achievement of the Group's long-term operation targets.

- 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 1,026 incentive participants under the first grant of the 2022 Options Plan, including 8 directors (excluding independent directors) and senior executives, and 1,018 other employees. The first grant was completed in November 2022.

  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 incentive 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 incentive participants, so as to align the interests of the Company and the incentive participants.

For details of the above Stock Ownership Plan and the 2022 Options Plan, please refer to Section III of the 2022 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 RMB1,514.96 million (31 December 2021: RMB1,382.17 million).

In terms of non-statutory benefits, we provide a broad range of non-pay benefits for all employees, 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, SOHO, 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:

Overview of Livzon's Employee Benefit System

Statutory benefits	Non-statutory benefits	
In accordance with national or local regulations, we offer/pay for our employees:	**Universal benefits (All employees are entitled to)**	**Dedicated benefits (Employees who meet special conditions are entitled to)**
• Statutory holidays, day-off, sick leave, work injury sick leave, marriage leave, bereavement leave, prenatal check-up leave, maternity leave, paternity leave, breastfeeding leave and annual leave • Social insurance, including basic pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, etc.	• Welfare dormitory • Welfare canteens • Meal allowance • Rent allowance • Commuter shuttle • Transport allowance • Travel allowance • Communication allowance • Shift allowance • Office computer allowance • Summer welfare, heat allowance • External training with pay • Gym • Various sports courses	• Flexible working practice • SOHO • Government talent apartments • Government public rental housing • Work allowances for Industrial talents • Living allowances for imported talents • Commercial insurance for high-end talent • Post-doctoral workstation • Advanced studies for master's or doctorate degree

9.2 TALENT MANAGEMENT *(Continued)*

9.2.3 Remuneration and benefits *(Continued)*

Benefits and welfare *(Continued)*

Overview of Livzon's Employee Benefit System *(Continued)*

Statutory benefits	Non-statutory benefits	
In accordance with national or local regulations, we offer/pay for our employees:	**Universal benefits (All employees are entitled to)**	**Dedicated benefits (Employees who meet special conditions are entitled to)**
• Housing provident fund • Other statutory employee benefits	• Book corner, English corner • Occupational health check-up • Staff welfare for medical check-up • Admission assistance for employees' children • Employee assistance program • Talent settlement • Staff activity center • Staff association activities • Maternity/illness/work injury visitation • Holiday allowances or gifts for traditional festivals • Staff birthday allowances or gifts • Cafe • Afternoon tea, fruit, night snack for night-shift employees • Lucky draw at annual meetings, back-to-work red packet following Spring Festival • Team-building activities • Fellowship activities	• Stock incentive for key employees • Accidental injury insurance for retirees/interns/contractors • Overseas allowance • Incentive for skills upgrading of industrial talent • Mother and baby room • Consolation allowances for employees in desperate need • Rewards for retired employees[1] • President's commendation • Special health check-up for women • Funeral subsidies • Women-only parking space • Transitional housing for new recruits from other places

[1] 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 a staff 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, answering lantern riddles at the Mid-Autumn Festival, and planting and fertilizing activities, 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. During the Year, to support the development of some poverty-stricken areas, the trade union of the Company purchased local agricultural products worth RMB300,000 from Linquan County, Anhui Province, for free consumption by employees at the canteens in the headquarters' industrial park of the Company.

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 a wide variety of diversified sports and cultural activities, including the 25th Staff Basketball Match, the 12th Staff Football Match, the 5th Mixed Table Tennis Team Match, the "Work is the Most Glorious" Photography Competition, museum visits, 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)*

9.3 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.

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.

During the Year, the Group 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 will 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 implements improvement measures.

At present, we have made the grievance hotline and the Grievance System available on the Company's official website.

9.3 EMPLOYEE COMMUNICATION *(Continued)*

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 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 were covered by and participated in the trade union.

Case: The 2nd workers' representatives conference in 2022

In April 2022, the Company's trade union held the 2nd workers' representatives conference. The conference democratically elected workers' representatives. The workers' representatives present at the conference deliberated and approved the Collective Agreement of Livzon Pharmaceutical Group Inc. (Draft), and proposed that the human resource head office of the Company implement the proposal in accordance with regulations to better protect the legitimate rights and interests of employees.

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, such as engagement, work-life balance, career development opportunities, diversity and inclusion, performance management, and employer brand, with an aim to monitor employee satisfaction.

During the Year, the employee engagement survey covered all employees of the Group, with an employee response rate of 97% and an overall engagement score of 75%, an increase of 5% compared to 2021, 1% above the pharmaceutical industry benchmark and 2% above the national average, respectively. Compared to 2021, Livzon's scores increased in all 16 dimensions this Year. Among the dimensions, employees were more satisfied with cooperation, direct supervisor and decision-making. In addition, we had 3 subsidiaries whose scores exceeded the best employer level.

9.3 EMPLOYEE COMMUNICATION *(Continued)*

9.3.3 Employee engagement survey *(Continued)*

The Group takes action in response to the 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 various and multi-dimensional trainings, strengthening management training, and holding multicultural activities, thereby continuously enhancing the Group's human resource management capabilities. Impressive results were achieved: engagement scores increased by 5 percentage points in 2022.

Based on the results of the employee engagement survey in 2022, we plan to take appropriate improvement measures in 2023 for the following key dimensions in the order of priority optimization, secondary optimization, and continuous improvement, in order to create a positive working atmosphere for employees, enhance their sense of belonging and well-being, and increase employee engagement.

Key Human Resource Management Dimensions and Improvement Measures

Priority	Key dimensions	Improvement measures
Priority optimization	Performance management	• Improve the key performance evaluation system • Consolidate the performance appraisal implementation plan oriented to the operation of R&D projects
	Organizational support	• Support employees' rational transformation and innovation • Set up more employee feedback and communication channels • Enrich employee benefits and care
	Employer brand	• Strengthen the promotion of corporate culture and value
Secondary optimization	Empowered autonomy	• Develop the professional ability of young key employees • Encourage employees to take an active participation in projects
	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
Continuous improvement	Career development opportunities	• Establish a career development-oriented training system • Improve the talent pipeline and salary incentive mechanism
	Rewards and recognition	• Recognize employees' work performance in a timely manner • Continue to strengthen the implementation of the system of interviews between the management and the employees at multiple levels

9.4 OCCUPATIONAL HEALTH AND SAFETY

The Group adheres to the EHS (Environment, Health and Safety) values of "Take life as the foremost, safety comes first, compliance with 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), and have 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 Administrative Procedures for Internal EHS Audit. 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, aiming to protect the health and safety of employees.

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, 6 manufacturing enterprises also obtained the work safety standardization certificates.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(Continued)*

EHS Policy 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, setting annual safety work goals 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.

Besides, 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, 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 chief engineer 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, production operations, 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 formulate 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 such as occupational diseases at the production site on a regular basis, so as to achieve accurate identification, assessment 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, renovates and upgrades technologies and facilities for work safety, and strives to eliminate potential risks. During the Reporting Period, Livzon invested an aggregate of approximately RMB25.25 million in OHS, the breakdown of which is as follows:

Investment in technology improvement of work safety	RMB12.80 million
Investment in operation and maintenance of work safety	RMB7.19 million
Investment in occupational health	RMB5.26 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.

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 renovation 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 2022 (person)	0
Number of work-related fatalities of contractors in 2022 (person)	0
LTIFR of employees in 2022 (LTIs/million hours worked)	0.26
LTIFR of contractors in 2022 (LTIs/million hours worked)	0

9.4 OCCUPATIONAL HEALTH AND SAFETY *(Continued)*

9.4.2 Work safety

Livzon adheres to the work safety policy of "safety comes first, prevention as primary concern, comprehensive governance, total involvement, risk control and continuous improvement", and has formulated a series of work safety systems, such as the Management System for 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.

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.

Laboratory safety management

During the Year, we established a biosafety committee to strengthen the oversight of safety work in the biological laboratory. We have well-established biosafety management system and biosafety self-inspection system, and conduct biosafety self-inspection every six months. Self-inspection items include personnel training, instruments and equipment, strain management, waste inactivation, etc. We also develop emergency plans for biosafety accidents and conduct drills annually.

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.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(Continued)*

9.4.2 Work safety *(Continued)*

Case: Some work safety improvement projects in 2022

➤ **Fuzhou Fuxing**

Filtration technological transformation project

- An investment of RMB1.3 million was made to remove open processing for filtration in the production processes of Milbemycin Oxime manganese dioxide filtration, Teicoplanin decarburization filtration, etc., thereby eliminating the need for frequent open processing in the existing processes and reducing the risk of flashover, flash explosion and occupational disease among production personnel at the site.

Process technology refinement project

- The adoption of a new parent nucleus extraction process has significantly reduced ethanol consumption and lowered the safety risk associated with solvent use.
- The uncovering and feeding operations during hydrolysis and crude product dissolution in the old process have been removed, allowing the entire process to be hermetically sealed, improving safety and environmental protection while increasing synthesis yield, thereby reducing the number of synthesis reactions and further mitigating the safety risks of synthesis.

➤ **Limin Factory**

Noise reduction project

- By installing glass at the noise source and other measures, the noise has been effectively reduced by 11 decibels, which is a significant noise reduction effect. At the same time, the heat discharge from the steam pipes in the operating room was isolated, which reduced the room temperature and improved the working environment for the employees.

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 Grading and Controlling Safety Risks and the Hazard Sources Identification and Risks and Opportunities Evaluation Requirements, 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 different 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

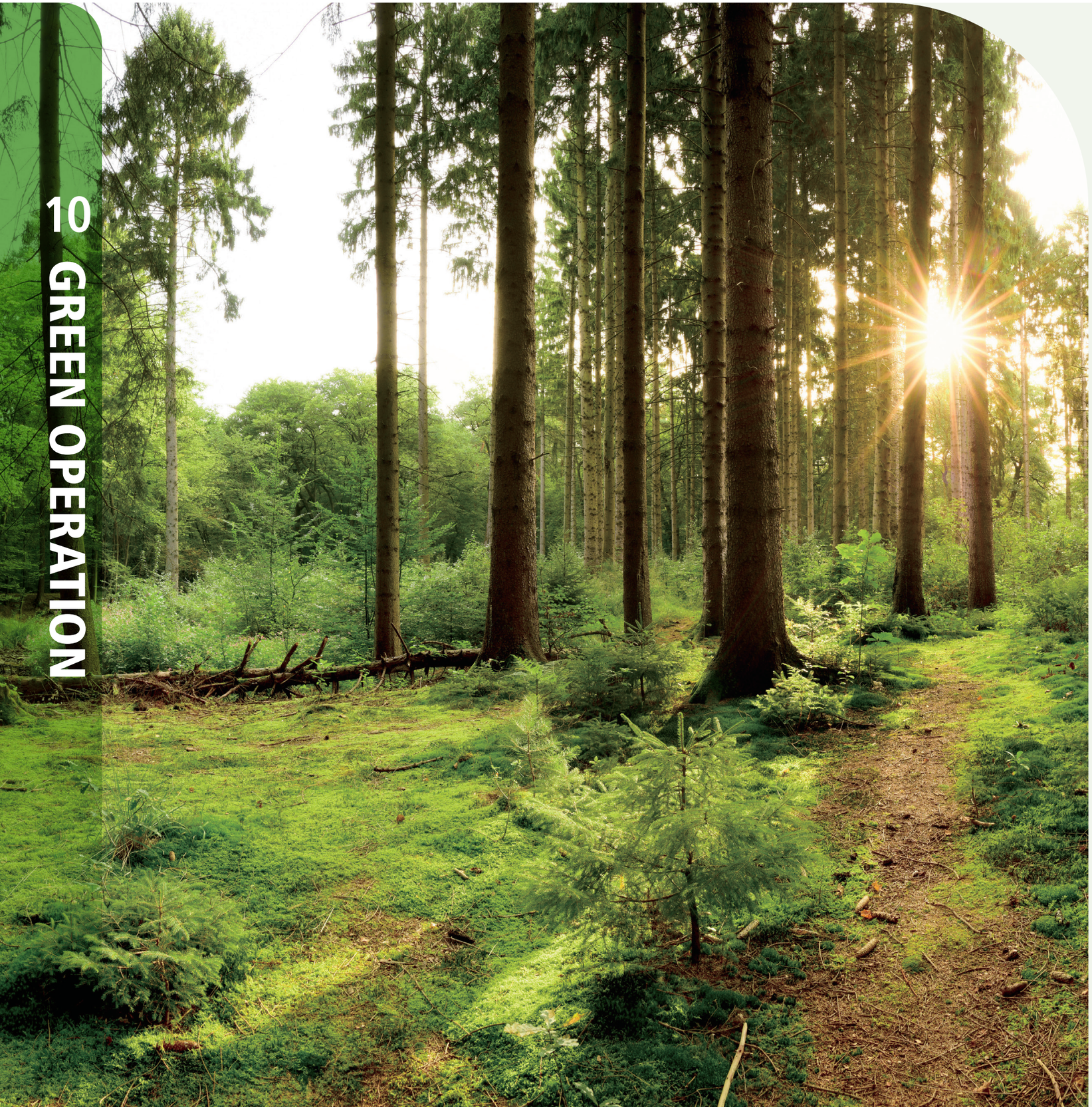
In order to raise awareness of work safety awareness among all employees, we regularly organize various theme activities around work safety. We designate the 4th, 14th and 24th days of each month as the safety reflection days of the Group and conduct safety reflection activities, including work summary, 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: Fire control and safety themed activities

In June and November 2022, the Company organized its subsidiaries to conduct activities on the theme of fire control and safety. Through various forms such as training, inspections, drills, and lectures, the corporate culture and fire safety awareness were promoted, and the enthusiasm and vigilance of employees were improved, thus consolidating the foundation of the Company's safety culture building.

Contractor safety management

Livzon is acutely aware of the importance of contractor safety management. We have established the Contractor Safety Management System to extend 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.



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 keep improving the internal environmental management system with reference to the standard requirements of the ISO 14001 Environmental Management System. At the same time, we implement EHS management responsibilities through the EHS management structure, and continuously increase investment in environmental management. In addition, we actively conduct training activities to enhance employees' environmental awareness and capabilities, and continuously improve 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, regularly updates pollutant treatment technology, and continuously improve 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 Sewage 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 indicators and responsibility statements, formulated annual key environmental targets and correspondent work plans, and reviewed the achievement of each target and indicator 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	RMB68.78 million
Investment in renovation of environmental protection facilities	RMB30.51 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).

10.1.1 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 certification 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, 9 had completed the cleaner production audit, 2 had obtained the certification for "National Green Factory", 1 had obtained the certification for "Provincial Green Factory", 1 had obtained the certification for "Municipal Green Factory", and 1 had obtained the HAZOP (Hazard and Operability Study) certification.

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 Administrative Procedures for Internal EHS Audit and the Regular EHS Meeting and Unannounced 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, secretory to the Board, all assistants to president, dean of research institute, chief engineer, 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).

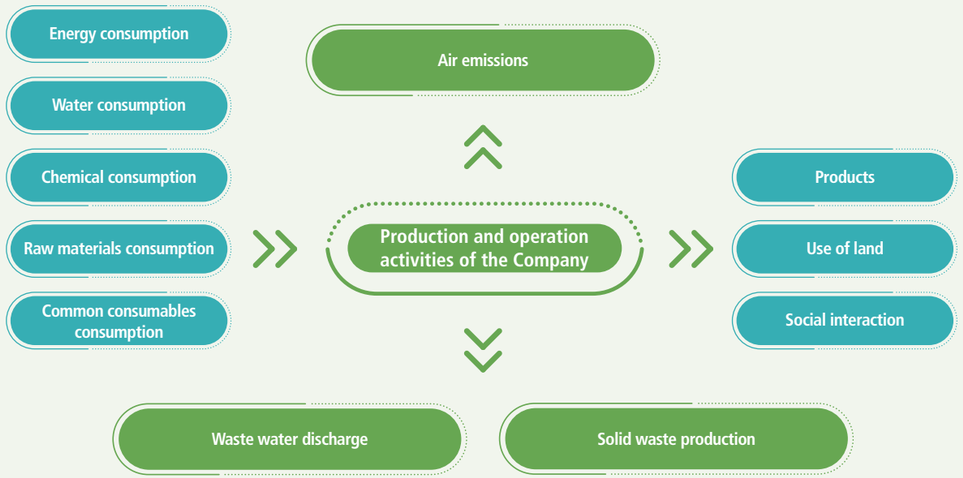
10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(Continued)*

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 renovating 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 RMB99.29 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 GOALS

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 GOALS *(Continued)*

During the Year, to further improve the management of pollutant discharge and resource utilization, the Company added several environmental management targets, bringing the total number of environmental management targets to 10. All environmental management targets for the Year were achieved. The details are shown in the table below:

Livzon's Environmental Management Targets for 2022-2025 and the Achievements in 2022

Item	Indicator	Targets for 2022	Target achievement in 2022	Targets for 2023-2025
Sulphur dioxide (SO_2)	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Achieved	To decrease by 2.2% compared with the previous year
Chemical Oxygen Demand (COD_{cr})	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Achieved	To decrease by 2.2% compared with the previous year
Hazardous waste	Amount of disposal per RMB10,000 of output value	To decrease by 0.5% compared with the previous year	Achieved	To decrease by 0.5% compared with the previous year
Non-hazardous waste	Amount of disposal per RMB10,000 of output value	To decrease by 0.8% compared with the previous year	Achieved	To decrease by 0.5% compared with the previous year
Water	Amount of consumption per RMB10,000 of output value	To decrease by 3% compared with the previous year	Achieved	To decrease by 3% compared with the previous year
Electricity	Amount of consumption per RMB10,000 of output value	To decrease by 3% compared with the previous year	Achieved	To decrease by 3% compared with the previous year
Ammonia nitrogen	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Achieved	To decrease by 2.0% compared with the previous year
VOCs	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Achieved	To decrease by 2.0% compared with the previous year
Nitrogen oxides (NO_x)	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Achieved	To decrease by 2.0% compared with the previous year
Particulate matter	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Achieved	To decrease by 2.0% compared with the previous year

10.2 ENVIRONMENTAL MANAGEMENT GOALS *(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, renovation 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.

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. To verify the effectiveness of air emission management work, we regularly engage qualified third-party monitoring agencies to conduct monitoring on air emissions.

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 renovating and upgrading air emissions treatment facilities, 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.

10.3 POLLUTANTS CONTROL *(Continued)*

10.3.1 Treatment of air emissions *(Continued)*

Case: Air Emissions Treatment Improvement Programs

- **Ningxia Pharma: fermentation air emissions treatment improvement program**

  During the Year, Ningxia Pharma invested about RMB2.8 million in renovating and upgrading the air emissions treatment facilities in its fermentation workshop, adding a new air emissions treatment facility with a treatment capacity of 85,000 m^3/h and a treatment process of "sodium hypochlorite absorption + water spray absorption + two-phase superoxidized water + micro-nano bubbles", which greatly improves the treatment efficiency of air emissions. After the treatment improvement was completed, Ningxia Pharma engaged a third-party professional organization for testing, which verified that the air emissions pollution factors fully met the national standards, and the peculiar smell in the site and surrounding areas was significantly improved.

- **Fuzhou Fuxing: air emissions treatment improvement program**

  During the Year, Fuzhou Fuxing added Regenerative Thermal Oxidizers (RTOs) to its original plasma facilities for air emissions treatment. By emitting waste gas after further treatment with RTOs, the efficiency of air emissions treatment was effectively improved.

- **Xinbeijiang Pharma: air emissions treatment improvement program of the wastewater station**

  During the Year, Xinbeijiang Pharma invested about RMB1.26 million and entrusted an environmental protection technology company to replace the biological deodorization boxes of the wastewater station, add second-level high-efficiency waste gas spray towers, reinstall pre-treatment waste gas collection pipeline, thereby increasing the efficiency of waste gas treatment of the wastewater station, reducing diffuse air emissions from the wastewater station, greatly improving the smell around the wastewater station, and receiving high recognition from the environmental protection agency and surrounding residents.

- **Gutian Fuxing: VOCs treatment improvement program and boiler exhaust treatment improvement program**

  During the Year, Gutian Fuxing invested about RMB1.3 million in the construction of VOCs collection and treatment facilities and put them into operation. The facilities collected and recovered VOCs from diffuse emissions, and emitted them from point sources through the exhaust funnels after the treated VOCs reached the standards. Meanwhile, Gutian Fuxing invested about RMB2.2 million in upgrading and renovating the boiler exhaust treatment facilities which use the process of "(SNCR denitrification) + multiclone dust collection + dry desulfurization + bag filter + wet desulfurization" to reduce the emissions of sulphur dioxide, nitrogen oxides and particulate matter. It also invested about RMB4.5 million in replacing with new energy efficient boilers to effectively reduce air emissions.

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 Standards of Water Pollutants for the Fermentation Pharmaceutical Industry. 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.

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.

Livzon's wastewater and major water pollutants (i.e. industrial wastewater, 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, 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)*

Case: Wastewater Treatment Improvement Programs

- **Gutian Fuxing: cooling water recycling program**

  During the Year, Gutian Fuxing invested about RMB600,000 in building a cooling water recycling system for recycling fermentation cooling water, which reduces the amount of sewage generated while reducing the consumption of fresh water.

- **Limin Factory: cleaner production programs**

  During the Year, Limin Factory successfully completed the cleaner production audit and became a cleaner production enterprise in Shaoguan City. While implementing cleaner production programs, Limin Factory set the amount of waste water produced per unit of product and the production rate of purified water as cleaner production audit targets to reduce wastewater production. At the same time, Limin Factory reviewed the process, energy, raw materials, waste discharge and other conditions of each production workshop and implemented 20 cleaner production plans, saving a total of about RMB2.88 million and reducing the amount of wastewater by about 18,345m^3.

- **Fuzhou Fuxing: construction program of the sewage treatment facility**

  During the Year, Fuzhou Fuxing invested about RMB4.9 million in building a new sewage treatment system which uses the process of "EQ tanks + hydrolysis acidification tanks + cyclic activated sludge system (CASS) + air flotation" to increase the sewage treatment capacity by 3,000 t/d, which is a significant improvement in sewage treatment capacity.

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 of Collection, Storage and Transport for 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. Livzon continuously enhances standardized management and compliance disposal of waste, avoiding causing pollution to soil and surrounding environments.

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)*

Case: Waste Management Improvement Programs

- **Fuzhou Fuxing: program to improve filter press process for hazardous waste disposal**

  During the Year, 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.

For the waste management improvement programs implemented in 2021, we continued to track their operation and treatment effect to ensure that their operation results met program expectations. The progress of some programs for the Year is as follows:

- **Gutian Fuxing: program to upgrade and renovate sludge press system**

  After the implementation of upgrade and renovation programs in 2021, the sludge water content was decreased from 85% to 60% and the sludge output was effectively reduced, preventing the sludge from dripping or leaking during transportation due to its high water content.

- **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. The program produced remarkable results after its implementation, reducing the annual output of fungi residues by more than 3,200 tonnes, which met the expected effect of the program.

- **Livzon Hecheng: activated carbon reuse program**

  The program met the expected effect by reducing the annual output of waste activated carbon by more than 12 tonnes and saving more than RMB48,000 in disposal costs per year.

- **Ningxia Pharma: waste activated carbon reuse program**

  The program met the expected effect by reducing the annual output of waste activated carbon by more than 160 tonnes.

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. In addition, we continuously carry out noise management work through various methods such as preferred use of low-noise equipment/techniques, active removal and replacement of old equipment, installation of soundproofing/silencing materials/equipment, and airtightness management, to reduce the noise pollution from the Group's production and operation process and improve the environmental quality.

Case: Noise Management Improvement Programs

- **Xinbeijiang Pharma**

  The 3 newly purchased cooling towers were installed on the south side of the power refrigeration building, which was used to effectively block the noise from the cooling towers and thus reduce the impact of the cooling tower noise on the surrounding areas. The stair windows of the refrigeration building were sealed by building walls and stainless steel doors were installed to block the outward propagation of refrigerator noise.

- **Jiaozuo Hecheng**

  The use of low-noise equipment was preferred, and daily equipment maintenance was strengthened; mufflers were installed on exhaust equipment to reduce exhaust noise; airtightness management was implemented for equipment rooms with relatively loud noise, such as ice maker room, to prevent noise pollution.

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 Recycling 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.

10.4.1 Water resource management

In order to implement water conservation initiatives, we implement a stringent management system, and conduct water resource management improvement programs across all operations of the Group to reduce water consumption.

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, continuously invest in water recycling projects, and strive to reduce consumption of fresh water and enhance the reuse of water resources through various measures such as regulating water usage during process, promoting the recycling of reclaimed water and cooling water, etc.

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.

10.4 RESOURCE USE MANAGEMENT *(Continued)*

10.4.1 Water resource management *(Continued)*

Case: Water Resource Management Improvement Programs

- **Livzon MAB: program to add display function for water for injection**

  During the Year, Livzon MAB invested about RMB170,000 in adding devices such as control boxes, real-time temperature displays, buzzers, and temperature probes to the water for injection site to provide an acousto-optic alarm when the outlet water temperature fails to reach the set temperature for a long period of time. By visually displaying the temperature at the point of use, the operator can have a clear view of the cooling process and whether the set temperature has been reached, thus effectively preventing waste of water for injection. After the completion of the program, 1,000L-5,000L of water for injection can be conserved every month.

- **Fuzhou Fuxing: steam condensate recycling program**

  During the Year, Fuzhou Fuxing invested about RMB500,000 in adding an exhaust gas condensation device. After passing through the device, the exhaust steam is condensed into water, which is then recycled and used to replenish the cooling towers. After the device is put into operation, Fuzhou Fuxing can recycle about 20,000 tonnes of steam water annually, thereby effectively reducing water consumption and wastewater discharge.

- **Xinbeijiang Pharma: fermentation cooling water recycling program**

  During the Year, Xinbeijiang Pharma invested about RMB600,000 in building a cooling water recycling system. After flowing through the production equipment requiring cooling (commonly known as heat exchange equipment), the cold water increases its temperature, and then when it flows through the cooling equipment, it reduces its temperature. It can be pumped back to the production equipment for reuse, achieving the recycling of fermentation cooling water, which can save over 95% of cold water consumption and effectively reduce the consumption of fresh water.

- **Ningxia Pharma: steam condensate recovery and reuse program**

  During the Year, after verification through condensate reuse process experiments, Ningxia Pharma invested about RMB300,000 in purchasing condensate recovery pipes, storage tanks and other equipment. The steam condensate generated by distillation columns, distillation residue tanks, and other equipment during the production process was collected and temporarily stored for cleaning of ceramic membranes, achieving the recycling of steam condensate and significantly improving the efficiency of water resource utilization.

- **Pharmaceutical Factory: "Sponge City" construction program**

  During the Year, Pharmaceutical Factory conducted the "Sponge City" construction program. "Sponge City" is a strategy and method of water resources management. The program, with a design area of over 16,000m^2, was housed in two buildings in the headquarters' industrial park of the Company. The Sponge City construction goal: 60% for the cumulative annual rainfall controlled within the project site as a percentage of the annual rainfall, 60% for the total annual runoff control rate and 50% for the runoff pollution control rate. The program uses low-impact facilities such as rain garden and rainwater harvesting and reuse system to achieve the essential functions of "Sponge City", that is, "absorbing, storing, seeping and purifying water when it rains, and using the stored water when needed" and to enable the migration and recycling of rainwater in the park, thereby meeting the requirements of the Sponge City construction goal.

10.4 RESOURCE USE MANAGEMENT *(Continued)*

10.4.1 Water resource management *(Continued)*

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 set reasonable water conservation targets and countermeasures based on the assessment results, conduct and implement improvement measures, carry out daily monitoring and report to the ESG Committee under the Board on a regular basis.

During the Year, all manufacturing enterprises of the Group conducted water risk assessment. They did so by comprehensively sorting through their water usage data and relevant information, with reference to models such as the World Resources Institute's (WRI) Aqueduct, a water pressure analysis tool, and the World Wide Fund for Nature's Water Risk Filter (WRF), a global water risk assessment tool, based on the following 17 assessment dimensions:

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	

Based on the likelihood and severity of the risks, we adopted quantitative and qualitative analysis methods to classify the risks of each dimension into five levels: low, medium-low, medium-high, high and very high. We used the weighted average method (post-assignment) to determine the water risks faced by different operations. The results of Group's water risk assessment for the Year are as follows:

Water risk level	Low	Medium-low	Medium-high	High	Very high
Number of operations	2	2	4	2	3

10.4 RESOURCE USE MANAGEMENT *(Continued)*

10.4.1 Water resource management *(Continued)*

Water risk assessment *(Continued)*

In order to mitigate the water risks at the operations with medium-high, high and very high risk levels, the Group has adopted a series of targeted response measures, which include:

Management direction	Management measures
Setting water usage targets	• Setting water usage targets for different aspects of manufacturing and operation, such as achieving "zero wastewater discharge" and reducing the consumption of fresh water • Strictly controlling water resource usage and arranging production reasonably • Eliminating high energy consuming and outdated processes, technologies and equipment • Reducing groundwater extraction and consumption
Water resource recycling	• Actively conducting projects of wastewater recycling and reclaimed water reuse to improve the utilization efficiency of water resources
Energy conservation and environmental protection system	• Using clean energy for production to reduce unnecessary waste of water resources
Process optimization and adjustments	• Developing and optimizing water-efficient processes, actively using water-efficient equipment, and retrofitting existing equipment for water conservation • Reducing the temperature control parameters of production processes as far as possible and reducing the amount of water lost through high temperature evaporation, for example by adding cooling towers to lower the temperature • Changing the process to use environmentally friendly raw and auxiliary materials that have less impact on water quality
Wastewater discharge control	• Eliminating leakage and dripping • Establishing an internal wastewater treatment station and ensuring that wastewater is discharged into the downstream wastewater treatment plant only after meeting the standard • Achieving a thorough containment, management and collection of wastewater

10.4 RESOURCE USE MANAGEMENT *(Continued)*

10.4.1 Water resource management *(Continued)*

Water risk assessment *(Continued)*

Management direction	Management measures
Management and control of water quality safety	• Conducting regular testing for domestic water and drinking water • Using water purification system to ensure the safety of production water quality
Contingency plan	• Equipping production systems with water storage tanks and emergency water tanks to prevent the risk of water outages and ensure production supplies • Establishing contingency plans for natural disasters or extreme weather, such as floods, droughts and high temperatures, and deploying preventive measures in advance • Establishing contingency plans for abnormal water quality
Internal and external monitoring	• Strengthening internal supervision and inspection. For example, conducting daily inspections of wastewater treatment and discharge within the plant area, and identifying and correcting hazards in a timely manner • Implementing water conservation supervision mechanism • 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 • Updating internal environmental protection systems in a timely manner and producing in accordance with the laws and regulations
Training and promotion	• Regularly conducting water resource management skills training for employees • Actively promoting water conservation among employees

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, established an internal energy management system, and conducts energy management programs (e.g. reduction of carbon emissions, energy efficiency improvements, use of renewable sources, etc.) across all operations of the Group, continuously strengthening energy management and control.

Through management improvement and technological innovation, we keep exploring the space for energy conservation and consumption reduction to improve the overall energy efficiency. In addition, we vigorously promote energy structure optimization, actively adopt clean energy, and focus on increasing the proportion of clean energy usage. We are engaged in technological renovation, equipment replacement and continuous optimization of energy use, 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 efficiency of energy use, and reduce energy consumption and carbon emissions.

10.4 RESOURCE USE MANAGEMENT *(Continued)*

10.4.2 Energy management *(Continued)*

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.

Some of Livzon's Implemented or Planned Energy Conservation and Carbon Emission Reduction Programs in 2022

Company name	Program type	Program description	Program effect
Livzon Hecheng	Equipment replacement	Invested RMB800,000 in replacement of the original boilers. Compared with the original boilers, the new boilers are equipped with additional waste heat recycling units to reduce energy consumption through waste heat recovery.	Implementation commenced, the program is expected to save 140,000 cubic meters of natural gas per year upon completion.
	Equipment replacement	Plan to invest RMB1.8 million in adding a set of magnetic levitation chillers as a replacement for the original chillers. The new magnetic levitation chillers are more energy efficient than conventional chillers due to reduced mechanical friction.	To be implemented, the program is expected to save 720,000 kWh of electricity per year upon completion.
Gutian Fuxing	Equipment replacement	Invested RMB4.5 million in replacement of the original boilers with energy-efficient boilers, which are equipped with waste heat recycling units to reduce energy consumption through waste heat recovery.	Implementation commenced, the program is expected to save 1,800 tonnes of coal per year upon completion.
Xinbeijiang Pharma	Technological renovation	Invested RMB660,000 in replacement of the original cooling towers with non-electric blower cooling towers.	Implemented, the program can save about 650,000 kWh of electricity per year.
Ningxia Pharma	Equipment replacement	Invested RMB400,000 in conducting an energy-saving improvement program of high-efficiency pumps in a circulating water system, replacing the original water pumps with high-efficiency energy-saving pumps.	Implemented, the program can save about 1,000,000 kWh of electricity per year.
Pharmaceutical Factory	Technological renovation	Invested RMB1.6 million in replacement of self-supplied steam with purchased steam. The external gas supply company provides centralized gas supply, so the energy consumption per unit of steam produced is lower than that of the company.	Implemented, the program can save about 350,000 cubic meters of natural gas per year.
	Equipment replacement	Invested RMB400,000 in upgrading the original diesel boilers to natural gas boilers to greatly reduce the use of diesel.	Implemented, the program can save about 80,000 liters of diesel per year.

10.4 RESOURCE USE MANAGEMENT *(Continued)*

10.4.2 Energy management *(Continued)*

Some of Livzon's Implemented or Planned Key Clean Energy Programs in 2022

Company name	Program name	Program input *(RMB'0,000)*	Program description	Description of effects
Gutian Fuxing	Photovoltaic power generation	250	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 will give Gutian Fuxing electricity concessions.	Implementation commenced, the program is expected to generate 711,225 kWh of electricity per year upon completion.
Xinbeijiang Pharma	Photovoltaic power generation	130	Government subsidies for photovoltaic projects were used to promote the construction of a photovoltaic power generation project at the new plant, with a photovoltaic power generation 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 can generate about 850,000 kWh of electricity per year.
Limin Factory	Photovoltaic power generation	900	The program utilizes solar energy and uses special materials such as crystalline silicon panels, inverters and other electronic components to form a photovoltaic power generation system that is connected and transmits power to the grid. The program will be funded and constructed by a third party who will give Limin Factory electricity concessions.	To be implemented, 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)*

Some of Livzon's Implemented or Planned Key Clean Energy Programs in 2022 *(Continued)*

Company name	Program name	Program input *(RMB'0,000)*	Program description	Description of effects
Pharmaceutical Factory	Photovoltaic power generation	450	Taking into account the factory conditions, installed photovoltaic power generation systems on the roof at its own expense. With a total installed capacity of approximately 1MW, 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 can generate about 600,000 kWh of electricity per year.
		480	To install photovoltaic power generation systems. The program uses monocrystalline silicon solar cells as photovoltaic conversion devices while the corresponding access system is configured to achieve grid-connected operation. It is planned that the program is funded and constructed by a third party who gives Pharmaceutical Factory electricity concessions.	Under investigation, the program is expected to generate 3,600,000 kWh of electricity per year upon completion.

10.4 RESOURCE USE MANAGEMENT *(Continued)*

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 renovation 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.

Case: Material Management Improvement Programs

- **Pharmaceutical Factory: product packaging optimization program**

  During the Year, after communicating with the medical units, Pharmaceutical Factory optimized the three-level packaging form of "box – middle box – carton" for some solution for injection products by changing it to the two-level packaging form of "box – carton". The optimized two-level packaging form has been proven in transportation tests to achieve the qualified transportation protection effect. By eliminating middle box packaging, Pharmaceutical Factory has not only reduced material usage and thus conserved resources, but also improved production efficiency.

- **Fuzhou Fuxing: industrial material recovery program**

  During the Year, Fuzhou Fuxing invested RMB3 million in conducting an industrial material recovery program by adding a membrane recovery system for the recovery of industrial materials. After its implementation, the program cumulatively recovered about 10,800m³ of ethanol, about 844m³ of isopropanol, about 317m³ of acetone, 32.6m³ of n-butanol, and 277m³ of acetonitrile in 2022. The program has effectively reduced the procurement amount of raw materials and minimized resource consumption.

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", strives to improve the climate, 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 2022 CDP Climate Change Questionnaire. Our future plan is to continue to provide detailed disclosures through the 2023 CDP Climate Change Questionnaire.

10.5.1 Governance, strategy and risk management

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 are integrated into the Group's overall risk management. The ESG Committee under the Company's Board is responsible for identifying, assessing, and managing the Group's risks and opportunities related to climate change, developing and overseeing the implementation of climate change response plans, and reporting regularly to the Board.

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 risk management, and regularly convenes 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 every year. We assess the associated risks with the assistance of external experts to develop and implement response plans and regularly report on work results to the ESG Committee, so as to ensure that matters about addressing climate change are incorporated into the strategy-making considerations of the Company.

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.1 Governance, strategy and risk management *(Continued)*

Our specific climate risk management steps are as follows:

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

Assess and comprehensively rate each climate risk across the following three dimensions:

- Time dimension (expected time of risk occurrence)
  Short-term (0-3 years), medium-term (4-10 years), long-term (more than 10 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)*

10.5.2 Climate-related risks and opportunities

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. During the Reporting Period, the Group conducted a comprehensive assessment on the climate change risks (including physical risks and transition risks) and opportunities for its own businesses by full reference to the TCFD recommendations, and formulated and implemented a context-specific plan to adapt to physical climate risks and transition climate risks.

Type of Climate Risks and Potential Financial Impacts

Risk Type			Potential Financial Impacts
Physical Risks		Acute	• Increased operating costs (e.g., rising prices of electricity or other energy sources, power shortages due to extreme high temperatures, increased energy consumption due to hot weather, increased environmental compliance costs, etc.) • Increased costs resulting from fines (e.g., environmental fines) • Reduced demand for products due to shift in consumer preferences (e.g., overseas customers' demand for lower emissions products)
		Chronic	• Increased production costs due to changing input prices (e.g., increased prices of energy, water and raw materials) and output requirements (e.g., waste treatment) • Abrupt and unexpected increases in energy costs (e.g., abrupt increase in electricity prices) • Reduced revenue from decreased demand for products (e.g., new processes after technology reform not recognized by customers, and ESG performance considered by customers as a review point for cooperation)

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

Type of Climate Risks and Potential Financial Impacts *(Continued)*

Risk Type *(Continued)*			Potential Financial Impacts *(Continued)*
Transition Risks		Policy and Legal	• Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions, loss of government approval for energy-intensive plant expansions) • Reduced revenue or increased costs from negative impacts on workforce management and planning (e.g., employee attraction and retention)
		Technology	• Write-offs and early retirement of existing assets (e.g., damage to assets due to natural disasters, elimination of old equipment due to the introduction of new technologies or stricter environmental policies) • Increased capital costs (e.g., damage to facilities due to natural disasters, shortened equipment life due to humid air)
		Market	• Reduced revenues from lower sales/output (e.g., production delays from government's power cuts, transport disruptions or production stoppages from natural disasters, such as typhoons and floods, lower production efficiency from rising temperatures that affect employees' health, inability to acquire natural resources required for production, scarcity of resources necessary for production as a result of climate change)
		Reputation	• Increased insurance premiums (e.g., higher insurance premiums due to stricter environmental policies) • Increased R&D expenditures (e.g., R&D of new technologies and new processes for low energy consumption)

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(1) Physical Risks

Risk Type	Risk	Risk Impacts	Impact Level	Probability of Occurrence	Expected Time of Occurrence
Acute	Typhoons	• Road interruptions, flooding of facilities in low-lying areas and open spaces • Increased treatment costs for preparation of production water due to the use of turbid water with high sediment charge	High	Probable	Short-term
	Floods	• Property loss, such as water leaks in buildings and damage to machinery and equipment • Increased maintenance costs for various facilities			
	Rainstorm	• Disrupted transportation of production materials and insufficient supply of raw materials • Production delays or stagnation due to water and power outages • Safety hazards for employees			

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(1) Physical Risks *(Continued)*

Risk Type	Risk	Risk Impacts	Impact Level	Probability of Occurrence	Expected Time of Occurrence
Acute	Extreme heat	• Increased demand for ventilation and cooling in production plants and offices, resulting in higher energy consumption and operating costs • Impact of power outages on normal production due to possible peak demand on the power grid during hot weather • Increased risk of plant fires due to sudden hot weather • Increased severity and scope of diseases such as cardiovascular disease, malaria and heat stroke, threatening employees' health • Safety hazards for employees	Medium-high	Very probable	Short-term
	Extreme cold	• Increased demand for heating in production plants and offices, resulting in higher energy consumption and operating costs • Causing road icing that disrupts transportation of production materials and therefore insufficient supply of raw materials, directly resulting in production delays or stagnation • Dry weather that easily causes fires, explosions, spills, poisonings and other accidents • Property loss such as equipment failure due to low temperature • Increased maintenance costs for various facilities • Safety hazards for employees	Medium	Fairly probable	Medium-term

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(1) Physical Risks *(Continued)*

Risk response measures:

Typhoons, floods, rainstorm

- 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, and define personnel and duties in the emergency organizational structure to achieve swift response to extreme weather.
- Before extreme weather events: pay close attention to weather changes, conduct safety inspections, allocate protective devices and emergency equipment for climate disasters in advance, prepare emergency team members and power supplies, determine employees' working hours and off hours in advance, and make advance arrangements for production and delivery;
- During extreme weather events: reduce production on the days of typhoons/rainstorm, prohibit outdoor operations, shut down promptly as needed to put the safety of personnel first, and ensure complete emergency supplies;
- After extreme weather events: initiate the damage assessment work in time to learn from the experience, reduce the loss and speed up the restoration of production;
- Purchase property insurance to reduce losses from force majeure risks;
- Regularly analyze the supply risks of suppliers, develop inventory strategies for key raw materials, and strengthen supplier partnerships;
- 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 Climate-related risks and opportunities *(Continued)*

(1) Physical Risks *(Continued)*

Risk response measures: *(Continued)*

Extreme heat

- 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;
- 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;
- Conduct regular health check-ups for employees.

Extreme cold

- Regularly analyze the supply risks of suppliers, develop inventory strategies for key raw materials, and strengthen supplier partnerships;
- Have a backup energy plan in place and develop an energy contingency plan in advance;
- 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 plant area;
- Strengthen winter safety knowledge training for employees to ensure their safety at work; strengthen safety inspection of employees' dormitories;
- 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.

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(1) Physical Risks *(Continued)*

Risk Type	Risk	Risk Impacts	Impact Level	Probability of Occurrence	Expected Time of Occurrence
Chronic	Rising sea levels	• Early retirement of plants and facilities in coastal areas • Causing damage to water table, which increases the cost of building plants in coastal areas • Forced relocation of plants, resulting in production stoppages	High	Very improbable	Long-term
	Lack of water	• Our water sources include both surface water and groundwater. In the event of a groundwater table decline, we are at risk of production reductions or shutdowns	High	Improbable	Medium-term
	Humid air	• Causing raw materials, auxiliary materials and products to be dampened and product quality to be compromised • Causing moldy and cracked walls in plants, affecting the storage life of materials • Causing equipment rust and accelerated equipment aging, resulting in increased maintenance costs	Medium	Almost certain	Short-term
	Rising mean temperatures	• Increased demand for ventilation and cooling in production plants and offices, resulting in higher energy consumption and operating costs • Reduced production efficiency due to increased likelihood of heatstroke and other sudden heat-related illnesses among employees	Medium-low	Probable	Short-term

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(1) Physical Risks *(Continued)*

Risk response measures:

Rising sea levels

- 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.

Lack of water

- 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.

Humid air

- Apply mold-resistant coating, install ventilation facilities and provide dehumidifiers in plants;
- Improve the airtightness of plants, keep the storage environment airtight and ventilated, and increase the frequency of cleaning and disinfection.

Rising mean temperatures

- Renovate 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 heatstroke 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 Climate-related risks and opportunities *(Continued)*

(2) Transition Risks

Risk Type	Risk	Risk Impacts	Impact Level	Probability of Occurrence	Expected Time of Occurrence
Policy and Legal	Increased pricing of GHG emissions	• China has implemented a carbon emission trading scheme mechanism. If the pharmaceutical industry is included in the scope of industries for the national carbon emission trading, the Group may experience an increase in operating costs due to purchasing carbon emission credits for compliance • The increased pricing of 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	Medium	Probable	Medium-term
	Environmental mandates on and regulation of existing products	• Write-offs, asset impairment, and early retirement of existing assets due to stricter environmental policies • Increased expenditures on R&D of new technologies and new processes for low energy consumption to meet policy requirements • Increased capital costs for purchasing new equipment • Increased environmental compliance costs, etc. • Higher insurance premiums due to stricter environmental policies	Medium	Probable	Medium-term
	Environmental incident litigation	• Increased costs and/or reduced demand for products resulting from fines and judgments	Medium-low	Improbable	Medium-term

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(2) Transition Risks *(Continued)*

Risk Type	Risk	Risk Impacts	Impact Level	Probability of Occurrence	Expected Time of Occurrence
Technology	Unsuccessful investment in new technologies	• Write-offs and early retirement of existing assets due to the introduction of new technologies which requires the elimination of old equipment • Reduced revenue from possible reduced demand for products if customers do not recognize new processes after technology reform	Medium	Probable	Medium-term
	Costs to transition to lower emissions technology	• Increased R&D expenditures, resulting in lower profits • Increased costs to adopt/deploy new practices or processes • Increased capital investment with long payback periods (e.g., photovoltaic power generation) • Long timeline for regulatory approval • Exposure to risks from uncertainty of market development in the future • Lower than expected return on investment	Medium	Probable	Medium-term

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(2) Transition Risks *(Continued)*

Risk Type	Risk	Risk Impacts	Impact Level	Probability of Occurrence	Expected Time of Occurrence
Market	Increased cost of raw materials	• Increased production costs from higher prices of energy (coal, electricity, steam), water and raw materials (glucose, corn starch, etc.), difficult availability of some biological raw materials and closure of certain raw material suppliers under the influence of climate change and global energy transition • Increased production costs from scarcity of resources necessary for production due to climate change	High	Very probable	Short-term
	Changing customer behavior	• Possible decreased demand for existing products and retirement of inventories due to customers' requirement for lower emissions products or consideration of ESG performance as a review point for cooperation	Medium	Improbable	Long-term
	Uncertainty in market signals	• Impact on normal production and timely supply and increased production costs due to possible sudden power and water rationing and outages and higher electricity prices under the influence of climate change or the national carbon peaking and carbon neutrality policy	Medium-high	Very probable	Short-term
Reputation	Stakeholder concern or negative stakeholder feedback	• Possible reduction in capital availability resulting from any downgrade and reputational damage, as the Group's ESG performance has attracted great attention from the capital markets • Exposure to risk from reputational damage for the complaints from residents • Reduced revenue or increased costs from negative impacts on workforce management and planning (e.g., employee attraction and retention) • Possible impact on sales from focus on ESG aspects in customer audits • Loss of government approval for energy-intensive plant expansions	Medium-low	Improbable	Short-term

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(2) Transition Risks *(Continued)*

Risk response measures:

Increased pricing of GHG emissions, environmental mandates on and regulation of existing products, environmental incident litigation

- Set energy conservation and consumption reduction targets and carbon emission reduction targets, actively take relevant measures to reduce greenhouse gas emissions, and promote the gradual reduction of intensity and total volume of carbon emission;
- Improve energy efficiency by replacing outdated, energy-intensive equipment with energy-efficient, energy-saving equipment, and renovating and upgrading high energy-consuming equipment to save energy;
- Promote resource recycling and install resource recycling facilities (e.g., building reclaimed water reuse facilities, etc.);
- Improve energy structure: adopt clean energy and renewable energy (e.g., photovoltaic power generation, etc.);
- Strengthen energy conservation and emission reduction management, training and publicity in the overall production and operation process, and raise employees' awareness of energy conservation;
- 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;
- Engage consultants to assess our current energy conservation status, make targeted improvements based on the results of the professional assessment, and minimize the impact of risks from changing policies and regulations while reducing energy costs;
- 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;
- Establish a sound environmental risk management system to prevent the occurrence of negative environmental events;
- Improve production technology, and improve the yield of products through technological refinement, thus reducing the raw material and energy consumption per unit of product.

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(2) Transition Risks *(Continued)*

Risk response measures: *(Continued)*

Unsuccessful investment in new technologies, costs to transition to lower emissions technology

- 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;
- Renovate and refine old products, continuously optimize material processes, develop green and low-carbon 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;
- Identify and assess the potential risks of new technologies and implement effective risk controls to ensure the safe and reliable use of new technologies at the minimum cost and reduce the uncertainty of new technology applications;
- Make timely and reasonable adjustments to R&D budgets and plans based on possible emerging low-carbon technologies;
- 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.

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(2) Transition Risks *(Continued)*

Risk response measures: *(Continued)*

Increased cost of raw materials, changing customer behavior, uncertainty in market signals

- Explore the possibility of using clean energy, and increase photovoltaic power generation;
- Actively carry out technological innovation, identify alternative raw materials and energy sources, and establish diverse channels of energy supply;
- Strengthen strategic cooperation with suppliers (such as signing long-term contracts to avoid the impact of price fluctuations), increase the inventory from key suppliers, and regularly analyze the supply risks of suppliers;
- Prepare raw material reserves in advance according to market conditions to avoid the risk of supply disruption;
- Improve production technology, promote product yield, and control production cost, so as to reduce consumption of raw material and energy;
- Actively pay attention to consumer preference trends in the market and focus on the development of green and low-carbon products;
- Develop contingency plans and make relevant arrangements to respond to the impact of sudden power/water rationing;
- Keep abreast of market signals and energy policy changes to ensure timeliness of information;
- 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.

Stakeholder concern or negative stakeholder feedback

- 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 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 risk, etc., enhance corporate brand value and improve employee satisfaction.

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(3) Climate Opportunities

Opportunity Type	Opportunity	Opportunity Impacts
Resource Efficiency	• Use of more efficient modes of transport • Use of more efficient production and distribution processes • Recycling of resource • Move to more energy efficient buildings • Reduced water usage	• 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 work safety level, employee satisfaction), resulting in lower costs
Resource Source	• Clean energy and renewable energy • Participation in carbon market	• Reduced operational 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

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(3) Climate Opportunities *(Continued)*

Opportunity Type	Opportunity	Opportunity Impacts
Products and Services	• Development of new products (e.g., drugs to treat tropical infectious diseases and all other diseases caused by climate change) • Shift in consumer preferences	• Increased revenue through new solutions to climate adaptation needs • Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	• New market opportunities • Subsidies and other benefits from government policy incentives • New financing opportunities arising from the development of green finance	• 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	• Renewable energy projects and energy-efficiency measures • Resource substitutes/diversification	• Increased market valuation of infrastructure, land and buildings through resilience planning • Increased business operation resilience through resource substitutes and other means

10.5 ADDRESSING CLIMATE CHANGE *(Continued)*

10.5.2 Climate-related risks and opportunities *(Continued)*

(3) Climate Opportunities *(Continued)*

Opportunity response measures:

Resource Efficiency

- 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;
- Improve supply chain management capabilities, shorten the cycle of material procurement and production, and reduce the risk of inventory backlogs;
- Optimize and improve energy-intensive technologies and processes (e.g., changing the layout of workshop production lines, etc.) to improve production efficiency and reduce operator errors;
- 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;
- 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;
- Promote resource recycling efforts such as waste recovery and reclaimed water recovery, and increase the efficiency of resource use;
- Build green factories and prioritize leasing green buildings for offices;
- Improve the yield of products through technological refinement, thus reducing the raw material and energy consumption per unit of product;
- 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;
- Set water usage targets and continuously optimize water resource management.

Resource Source

- Conduct the construction of photovoltaic power generation projects in various manufacturing enterprises, and actively explore other applicable and feasible clean energy sources;
- 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 Climate-related risks and opportunities *(Continued)*

(3) Climate Opportunities *(Continued)*

Opportunity response measures: *(Continued)*

Products and Services

- 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

- Pay continuous attention to new markets, and actively prepare for new markets and business 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 low-carbon emission subsidies/incentives from government departments, thereby enhancing the competitiveness of our products in the market and increasing product sales.

Resilience

- 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;
- 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.

10.6 BIODIVERSITY PROTECTION

Livzon has placed considerable emphasis on biodiversity protection. We strictly comply with the Forestry Law of the PRC, the Regulations on the Implementation of the Forestry Law of the PRC, the Regulations of the PRC on the Protection of Wild Plants, the Law of the PRC on the Protection of Wild Animals, the Regulations on Restoring Farmland to Forest, the Regulations on Protection of Wild Medicinal Resources, the Convention on Biological Diversity of the United Nations and other relevant laws and regulations and international conventions. We also develop and steadily promote initiatives related to biodiversity protection. We insist on the rational development and utilization of biological resources based on the effective protection of biodiversity, and ensure the healthy and orderly development of the traditional Chinese medicine industry.

Meanwhile, we comply with the Forestry Law of the PRC, the Regulations on the Implementation of the Forestry Law of the PRC, the Regulations on Restoring Farmland to Forest, the Measures for the Administration of Regenerative Felling of Forests, the Water Law of the PRC and other relevant laws and regulations. We remain committed to sustainable and dynamic management of the natural resources and raw materials in the supply chain, continuously reduce the negative impact on biodiversity and fulfill our commitment to biodiversity protection.

- **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.

- **Constructing medicinal material plantation bases and protecting germplasm and germplasm resources:** 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.

  Datong Livzon Qiyuan Medicine Co., Ltd.(大同麗珠芪源藥材有限公司)("Datong Livzon"), the Company's subsidiary, has obtained the organic product certification, the certification of the cultivation base of genuine high-quality medicinal materials (Astragalus root), and 5A-grade astragalus root cultivation base (artificially sown and naturally grown) certification for its Astragalus root products cultivated in simulated wild conditions. 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.

10.6 BIODIVERSITY PROTECTION *(Continued)*

- **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 biodiversity.

With the increasing market demand over the past few years, the resources of wild acorus gramineus have been gradually 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 gramineus cultivated in simulated wild conditions. The base area is planned to reach more than 2,000 mu in the next five years. To improve the quality of acorus gramineus, we have completed the construction of cleaning processing workshops in the producing areas of acorus gramineus, together with the local pharmaceutical enterprise, to unify the processing of acorus gramineus in the producing areas, thereby ensuring the uniform and stable quality of medicinal materials.

10.6 BIODIVERSITY PROTECTION *(Continued)*

Case: Protecting the ecological system of the bases for acorus gramineus cultivated in simulated wild conditions

With the increasing market demand over the past few years, the resources of wild acorus gramineus have been gradually depleted. Cultivation of acorus gramineus in simulated wild conditions has just begun. In order to protect the original ecological environment of the acorus gramineus bases, minimize the impact on the environment, and promote the virtuous cycle of natural ecosystem in the bases for acorus gramineus 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 gramineus 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, 500 mu of the Base was constructed, and it is planned to expand to more than 2,000 mu in 5 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 gramineus 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 gramineus and other genuine medicinal materials produced in Sichuan, so as to reduce the farming and cultivation of wild acorus gramineus and protect the stability and diversity of the ecosystem.

Case: Protecting the ecological system of the astragalus root and codonopsis pilosula cultivation bases

In order to protect the original ecological environment of the astragalus root bases, minimize the impact on the environment, and maintain and promote the virtuous cycle of natural ecosystem in the astragalus root GAP bases, Datong Livzon, 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 Root GAP Bases".

Datong Livzon's astragalus root GAP bases cover a planting area of approximately 33,000 mu and adopt the wild cultivation model. Astragalus root 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, which protects the ecological environment to a greater extent.

In addition, to prevent soil erosion, the bases are artificially terraced and cultivated 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.

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, and help solve the problem of inequality in educational resources by donating to teachers and students in need, 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 RMB9.98 million, including cash donation of RMB3.73 million and in-kind donation worth RMB6.25 million.

Some Cases of Livzon's Charitable Donations in 2022

April 2022

Red Cross Society of China, Shanghai Branch

Nucleic acid extraction instruments, automatic nucleic acid extraction and purification instruments, and other instruments worth approximately RMB1 million in total

April 2022

Red Cross Societies of Yunfu City, Luoding City and Yunan County, Guangdong Province

Anti-viral Granules worth approximately RMB1.14 million in total

June 2022

Patients with chronic diseases in financial difficulties in Shandan County, Gansu Province

Drugs worth RMB1 million in total (public welfare program for chronic diseases with 5 drugs for chronic diseases)

July 2022

Patients with chronic diseases in financial difficulties in Linze County, Gansu Province

Drugs worth RMB1 million in total (public welfare program for chronic diseases with 5 drugs for chronic diseases)

October 2022

Red Cross Society of Qiannan Buyei and Miao Autonomous Prefecture

COVID-19 antigen diagnostic kits worth approximately RMB1.58 million in total

Case: Donated Automatic External Defibrillators (AEDs)

To demonstrate the spirit of humanitarian aid and protect people's lives and health, in January 2023, the Company donated in cash to the Red Cross Society of Jinwan District, Zhuhai City for 5 automatic external defibrillators (AED) worth RMB65,500 in total. An automated external defibrillator or AED is a portable medical device that can be used by non-medical people to rescue patients in sudden cardiac arrest. These AEDs donated by the Company will be placed in the public places in Jinwan District, Zhuhai City for the public to use in case of emergency. When people experience cardiac arrest, they can be readily accessible to allow time for the best possible rescue and avoid sudden death.

11.1 CHRONIC DISEASES CARE

In active response to the national strategic plan for rural revitalization, Livzon and its controlling shareholder, Joincare Pharmaceutical Industry Group Co., Ltd. ("Joincare"), have long leveraged industrial strengths to continuously implement the "Public Welfare Program for Prevention and Treatment of Chronic Diseases" by 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 1 autonomous region 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, the "Public Welfare Program for Prevention and Treatment of Chronic Diseases" as a collaboration between the Company and Joincare was successfully carried out successively in regions including Chaotian District of Guangyuan City in Sichuan Province, Songpan County of Ngawa Tibetan and Qiang Autonomous Prefecture 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 and Shandan 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. 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 19 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases (among which, with 17 remote regions in need of support and 1 national natural reserve area), and had helped more than 6,400 low-income people with chronic diseases. In 2023, the Public Welfare Program for Prevention and Treatment of Chronic Diseases plans to donate drugs to Gansu, Sichuan, Guizhou, Anhui and other regions.

- In June 2022, the Company donated drugs worth RMB1 million to Shandan County in Gansu Province;
- In July 2022, the Company donated drugs worth RMB1 million to Linze County in Gansu Province;
- In September 2022, the Company donated drugs worth RMB500,000 to Xianghai National Nature Reserve in Jilin Province.

11.2 INDUSTRIAL ASSISTANCE

To consolidate the achievements in poverty alleviation and further facilitate the sustainability of the rural economy, Livzon has formulated and continued to promote the plan of "Astragalus Root(黃芪)Industry Revitalization" to give new impetus to the achievement of the strategic goal of rural revitalization. Adopting the operation model of "Company + Base" and "Company + Specialty Cooperative" for "Astragalus Root Industry Revitalization", Livzon aims to boost the development of the local astragalus root cultivation and processing business and accelerate the construction of the "Chinese Medicine Ecological Base". Livzon has also built a sustainable astragalus root-based industry adapted to local conditions to create jobs for farmers, promote local economic growth, and form a sustainable model with a healthy cycle.

"Astragalus Root 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 cultivation bases in Hunyuan County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province, and jointly built astragalus root cultivation bases with 12 cooperatives and 3 individuals in Tianzhen County of Datong City and Yingxian County of Shuozhou City in Shanxi Province and Yulin City in Shaanxi Province. Covering an area of approximately 33,000 mu, these bases have assisted a total of 265 people, effectively promoting the economic development of the areas concerned in Datong, Shanxi and Yulin, Shaanxi.

During the Reporting Period, the planting area of the self-built base in Hunyuan County of Datong City in Shanxi Province increased by 300 mu, and 55 more local workers were employed. In addition, in view of the national "rural revitalization strategy", Datong Livzon cooperated with the village committee of Mazhuang Village in Guan'er Township, Hongyuan County of Datong City in Shanxi Province to launch the project of "Joint Construction by Village and Enterprise" to build a primary processing plant in the cultivation base and producing area of astragalus roots. The project has been completed and put into operation. The Company also trained about 30 managers and farmers of the jointly built base in Zizhou County of Yulin City in Shaanxi Province on the new version of the Good Agricultural Practice, and conducted technical guidance and practical training on the traceability system of traditional Chinese medicinal materials. Meanwhile, the Company set up meteorological observation stations at the jointly built base in Tianzhen County of Datong City in Shanxi Province and the jointly built base in Zizhou County of Yulin City in Shaanxi Province, and conducted environmental testing for all jointly built bases to provide data support for their field operations.

During the Year, a total of 85 local workers were employed in the jointly built bases in Shanxi and Shaanxi, where a total of 184.50 tonnes of fresh astragalus roots were harvested.

11.2 INDUSTRIAL ASSISTANCE *(Continued)*

Industrial cultivation base of astragalus roots in Datong City, Shanxi Province

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 Wanglong Primary School in Chishui City and the Nanjing China Pharmaceutical University Education Development Foundation.

Case: Subsidizing students in need in Chishui City, Guizhou Province

In July 2022, the Company donated RMB100,000 to Chishui City, Guizhou Province to subsidize 86 students in need from teaching schools in remote villages in Wanglong Town for them to study at the more advantageous Wanglong Town Central Primary School. By making charitable donations and covering part of the expenses for transportation, board and lodging, we effectively relieved the economic pressure on needy families and provided practical assistance to students in need for better education.

11.4 VOLUNTEER ACTIVITIES

In addition to public welfare activities, Livzon has proactively conducted volunteer activities, improved and perfected the volunteer recognition management system, and formed a stable volunteer service team. Livzon encourages employees to actively serve the society in a wider range of areas with a greater variety of elements and remains committed to upholding and promoting the volunteer spirit featuring "dedication, fraternity, mutual assistance, and progress".

During the Reporting Period, we actively carried out a range of volunteer activities, such as voluntary labor, relief for the poor, and community service. During the Year, the Group's employees had volunteered a total of 3,068.5 hours, including 1,522 hours of volunteering during paid working hours and 1,283 hours of volunteering related to professional ability.

Case: Care for students of a special education school

In celebration of the 38th Teacher's Day, volunteers from Ningxia Pharma came to Pingluo County Special Education School in Ningxia to carry out a visit and voluntary labor activity. Established in 2020, Pingluo County Special Education School is a rehabilitation and caring education school. At present, the school has 50 students between the ages of 6 and 16, all of whom suffer from disorders such as autism, mental retardation or hearing impairment. The volunteers from Ningxia Pharma donated 280 pieces of soccer balls, basketballs and other sports goods and food. At the end of the visit activity, the volunteers helped the school to clean the vegetable garden grown by the school.

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 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	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

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations and standards observed	Some internal policies of the Company
A1. Emissions	Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001) Administrative Measures for Hazardous Waste Transfer Self-monitoring Technology Guidelines for Pollution Sources – General Rule Self-monitoring Technology Guidelines for Pollution Sources – Pharmaceutical Industry Chemical Synthesis Products Category Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB 18599-2001) Regulations on the Administration of Pollutant Discharge Permits Guidelines for the Identification of Potential Soil Pollution Hazards in Key Regulatory Units (Interim)	
A2. Use of Resources	Energy Conservation Law of the PRC Recycling Economy Promotion Law of the PRC	Procedures for Resources Management Procedures for Energy Management Energy Management System

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations and standards observed	Some internal policies of the Company
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	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

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations and standards observed	Some internal policies of the Company
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 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	General Requirements of EHS Management System Administrative Measures for EHS Accidents Regular EHS Meeting and Unannounced Inspection Management System Administrative Measures for EHS Information and Communication Administrative Procedures for Internal EHS Audit Hazard Sources Identification and Risks and Opportunities Evaluation Requirements 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 and standards observed	Some internal policies of the Company
B2. Health and Safety		Contingency Plans for Production Safety Accidents Contingency Command Plans for Typhoon Prevention EHS Culture of Livzon Group Management System for Grading and Controlling Safety Risks Management System for Investigating and Managing Accidental Hazards Contractor Safety Management System EHS "Three Simultaneous" Management System for Construction Projects Dual Prevention System of Grading and Controlling Risks and Investigating and Managing Hazards Administrative Procedures for EHS Targets and Indicators Ten Prohibitions for Work Safety
B3. Development and Training	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC	Training Management System Work Safety Training Management System Rules of the Training of Doctoral Candidate (or Master Degree Candidate in Management) for Permanent Employees Administrative Measures for Administrative and Technical Sequences Quarterly Assessment and Incentive Plan for R&D Units (Interim) Administrative Regulations on Employee Learning and Growth

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations and standards observed	Some internal policies of the Company
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	Labor Employment Management System Recruitment Management System Code of Labor Employment and Ethical Conduct Employee Grievance Management System
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	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

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations and standards observed	Some internal policies of the Company
B5. Supply Chain Management		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 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

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations 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 Administrative Measures for Drug Registration Administrative Measures for the Supervision on Pharmaceutical Production 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	Procedures for Establishment of Independent Research and Development Projects Quality Management System Pharmacovigilance 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 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 Quality Authorizers Administrative Procedures for TCM Pre-treatment and Extraction Workshop Shared among Enterprises within Livzon Group

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations 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 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	Administrative Measures for Clinical Audit and Procedure Administrative Procedures for Quality Risks Operating Procedures for Product Recalls Contingency Plans for Material Product Safety Incident 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

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations and standards observed	Some internal policies of the Company
B6. Product Responsibility	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 Guidance Suggestions for the Care and Use of Laboratory Animals Biosecurity Law of the PRC Civil Code of the PRC	Responsible Marketing Policy of the Sales Center of API Business Department Packaging Design and Verification System 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 Standards of E-mail System Intrusion Analysis and Emergency Response

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations 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 Standards of Internal Control of Enterprises Contract Law of the PRC 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

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES *(Continued)*

ESG areas	Major laws and regulations and standards observed	Some internal policies of the Company
B7. Anti-corruption		Code of Professional Ethics for Employees Internal Audit Work System 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	2020	2021	2022
A Environmental [1]				
A1 Emissions [2]				
A1.1 Types of emissions and respective emission data				
Industrial wastewater	tonne	4,285,515.0	4,222,683.5	4,530,994.9
Chemical Oxygen Demand (COD_{cr})	tonne	338.5	269.5	259.0
Ammonia nitrogen	tonne	13.0	14.9	9.3
Volatile organic compounds (VOCs)	tonne	Not disclosed	46.4	26.4
Nitrogen oxides (NO_X)	tonne	86.2	135.7	101.2
Sulphur dioxide (SO_2)	tonne	47.8	45.4	29.4
Particulate matter	tonne	Not disclosed	22.9	16.5
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)	30,427.8	193,239.7	196,398.1
Indirect greenhouse gas emissions (Scope 2) [4]	CO_2 equivalent (in tonnes)	543,952.5	342,591.8	369,261.9
Total greenhouse gas emissions	CO_2 equivalent (in tonnes)	574,380.3	535,831.5	565,660.0
Intensity of greenhouse gas emissions [5]	CO_2 equivalent (in tonnes)/ RMB10,000	0.5	0.4	0.395

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. Among which, the power emission factor for 2020 adopts the weighted average of the power marginal emission factor in the "2017 Annual Emission Reduction Project China Regional Grid Baseline Emission Factor (2017年度減排項目中國區域電網基準線排放因子)", and 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).

5 The intensity in 2020-2022 was all calculated based on RMB10,000 of output value.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator	Unit	2020	2021	2022
A Environmental [1]				
A1 Emissions [2]				
A1.3 Total hazardous waste produced and intensity				
Total hazardous waste [6]	tonne	2,980.4	3,237.5	3,532.3
Hazardous waste intensity [5]	kg/RMB10,000	2.6	2.5	2.5
Of which: medical waste (HW02) and waste medicines (HW03)	tonne	1,826.9	1,789.2	1,954.0
Other hazardous waste	tonne	1,153.5	1,448.3	1,578.3
Disposal method:				
Total hazardous waste recycled/reused	tonne	Not disclosed	Not disclosed	844.3
Total hazardous waste disposed	tonne	Not disclosed	Not disclosed	2,688.0
A1.4 Total non-hazardous waste produced and intensity				
Total non-hazardous waste [7]	tonne	55,990.2	118,154.8	114,580.9
Non-hazardous waste intensity [5]	kg/RMB10,000	48.3	92.2	80.0
Disposal method:				
Total non-hazardous waste recycled/reused [8]	tonne	Not disclosed	1,853.0	10,830.5
Total non-hazardous waste disposed	tonne	55,990.2	116,301.8	103,750.4

6 Total hazardous waste = total hazardous waste recycled/reused + total hazardous waste disposed.

7 Total non-hazardous waste = total non-hazardous waste recycled/reused + total non-hazardous waste disposed.

8 The total non-hazardous waste recycled/reused in 2022 increased significantly compared to the previous year is due to the Group's process improvements and introduction of non-hazardous waste recycling technology and equipment in 2022, 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	2020	2021	2022
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	278,223.1	284,665.6	219,086.4
Diesel	liter	356,192.6	328,065.6	165,774.7
Coal	tonne	4,336.5	86,291.0	88,244.2
Natural gas	10,000 cubic meters	917.9	598.6	584.5
Liquefied petroleum gas	tonne	Not disclosed	7.9	6.8
2. Indirect energy				
Purchased electricity	kWh	400,450,102.9	398,439,861.9	423,624,184.5
Of which: intensity of purchased electricity [5]	kWh/RMB10,000	345.6	311.1	295.9
Purchased steam	tonne	666,196.9	376,140.5	416,061.3
Total non-renewable energy consumption	MWh	Not disclosed	Not disclosed	1,324,392.2

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator	Unit	2020	2021	2022
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	20.2	0.0	0.0
Biomass fuel	tonne	0	14.4	9.9
Solar power (self-use)	kWh	Not disclosed	692,280.0	1,044,773.0
2. Indirect energy				
Solar power (purchased)	kWh	Not disclosed	Not disclosed	235,701.0
Total renewable energy consumption	MWh	Not disclosed	Not disclosed	1,320.8
III. Total energy consumption [9]				
1. Direct energy consumption [10]	MWh	Not disclosed	572,945.5	580,898.6
2. Indirect energy consumption [11]	MWh	Not disclosed	687,587.4	744,814.4
Total energy consumption [9]	MWh	Not disclosed	1,260,532.9	1,325,713.0
Intensity of total energy consumption [5]	MWh/RMB10,000	Not disclosed	1.0	0.9

9 Total energy consumption = total non-renewable energy consumption + total renewable energy consumption

10 Direct energy consumption (unit: MWh) is derived from gasoline, diesel, coal, natural gas and other relevant direct energy consumption.

11 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	2020	2021	2022
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	Not disclosed	5,189,580.3
Fresh surface water consumption (B)	tonne	Not disclosed	Not disclosed	243,835.0
Fresh groundwater consumption (C)	tonne	Not disclosed	Not disclosed	215,184.0
Fresh water consumption = A+B+C	tonne	6,264,353.1	6,096,512.8	5,648,599.3
Alternative water consumption [12]	tonne	Not disclosed	Not disclosed	0
Total water consumption [13]	tonne	Not disclosed	Not disclosed	5,648,599.3
Intensity of water consumption (fresh water) [5]	tonne/RMB10,000	5.4	4.8	4.0
Reclaimed water consumption	tonne	Not disclosed	2,400	64,836
Water recycling rate	%	Not disclosed	Not disclosed	4.79
A2.5 Total packaging material used for finished products and with reference to per unit produced				
Paper packaging material	tonne	3,628.1	3,791.5	4,829.83
Other packaging material	tonne	Not disclosed	6,370.8	8,288.08
Total packaging material used	tonne	3,628.1	10,162.3	13,117.91
Intensity of packaging material used [5]	kg/RMB10,000	3.1	7.9	9.16

[12] Alternative water sources include seawater, brackish water, rainwater and gray water.
[13] Total water consumption = fresh water consumption + alternative water consumption

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator		Unit	2020	2021	2022
B Social					
B1 Employment					
B1.1 Total workforce by gender, employment type, age group and geographical region					
Total number of employees		person	8,367	8,580	9,005
Gender	Male	person	4,392	4,492	4,728
	Female	person	3,975	4,088	4,277
Employee category	General manager level and above	person	73	84	80
	Director level	person	201	182	168
	Manager level	person	900	850	908
	Other employees	person	7,193	7,464	7,849
Age	30 and below	person	3,303	3,191	3,424
	31-49	person	4,651	4,931	5,066
	50 and above	person	413	458	515
Geographical region	China's mainland	person	8,353	8,569	8,991
	Hong Kong, Macao and Taiwan of China	person	4	2	3
	Overseas	person	10	9	11

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator	Unit	2020	2021	2022
Diversity				
Number of ethnic minority employees [14]	person	Not disclosed	Not disclosed	540
Share of ethnic minority employees	%	Not disclosed	Not disclosed	6.0
Share of ethnic minority employees in management positions [15]	%	Not disclosed	Not disclosed	3.4
Number of women in management positions	person	Not disclosed	Not disclosed	397
Share of women in management positions	%	Not disclosed	Not disclosed	34.3
Number of employees in executive management [16]	person	Not disclosed	8	8
Number of women in executive management	person	Not disclosed	2	2
Share of women in executive management	%	Not disclosed	25.0	25.0
Average share of women in executive management in each of the past three years	%	Not disclosed	25.0	25.0
Share of women at general manager level and above (i.e. share of women in top management positions)	%	Not disclosed	Not disclosed	27.5
Share of women at director level (i.e. share of women in middle management positions)	%	Not disclosed	Not disclosed	31.0
Share of women at manager level (i.e. share of women in junior management positions)	%	Not disclosed	Not disclosed	35.6
Share of women in management positions in revenue-generating functions	%	Not disclosed	Not disclosed	24.9
Share of women in STEM-related positions	%	Not disclosed	Not disclosed	60.2

[14] The top three ethnic groups of the Group's ethnic minority employees are Hui (2.3%), Zhuang (1.4%) and Miao (0.4%). The share of Hui, Zhuang and Miao in the Group's management is 0.61%, 0.87% and 0.09%, respectively.

[15] Management positions refer to all of the Group's employees at manager level and above.

[16] Executive management refers to the Company's president and vice presidents.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator		Unit	2020	2021	2022
Employee years of employment					
Average years employed for female employees		year/person	Not disclosed	Not disclosed	7.7
Average years employed for male employees		year/person	Not disclosed	Not disclosed	9.7
New hires					
Total number of new hires		person	Not disclosed	Not disclosed	2,443
Gender	Male	person	Not disclosed	Not disclosed	1,298
	Female	person	Not disclosed	Not disclosed	1,145
Employee category	General manager level and above	person	Not disclosed	Not disclosed	3
	Director level	person	Not disclosed	Not disclosed	12
	Manager level	person	Not disclosed	Not disclosed	186
	Other employees	person	Not disclosed	Not disclosed	2,242
Age	30 and below	person	Not disclosed	Not disclosed	1,578
	31-49	person	Not disclosed	Not disclosed	852
	50 and above	person	Not disclosed	Not disclosed	13
Geographical region	China's mainland	person	Not disclosed	Not disclosed	2,439
	Hong Kong, Macao and Taiwan of China	person	Not disclosed	Not disclosed	2
	Overseas	person	Not disclosed	Not disclosed	2

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator		Unit	2020	2021	2022
Internal hires					
Percentage of internal hires [17]		%	Not disclosed	Not disclosed	19.08
Gender	Male	%	Not disclosed	Not disclosed	57.29
	Female	%	Not disclosed	Not disclosed	42.71
Employee category	General manager level and above	%	Not disclosed	Not disclosed	0.17
	Director level	%	Not disclosed	Not disclosed	5.21
	Manager level	%	Not disclosed	Not disclosed	23.78
	Other employees	%	Not disclosed	Not disclosed	70.83
Age	30 and below	%	Not disclosed	Not disclosed	37.50
	31-49	%	Not disclosed	Not disclosed	59.55
	50 and above	%	Not disclosed	Not disclosed	2.95
Geographical region	China's mainland	%	Not disclosed	Not disclosed	99.83
	Hong Kong, Macao and Taiwan of China	%	Not disclosed	Not disclosed	0.00
	Overseas	%	Not disclosed	Not disclosed	0.17

[17] 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	2020	2021	2022
B Social					
B1 Employment					
B1.2 Employee turnover rate by gender, age group and geographical region [18]					
Total employee turnover rate		%	14.80	11.11	10.82
Gender	Male	%	14.59	10.98	10.09
	Female	%	15.02	11.25	11.64
Age	30 and below	%	19.22	12.35	12.98
	31-49	%	12.60	10.78	9.60
	50 and above	%	4.12	2.34	4.03
Geographical region	China's mainland	%	14.79	11.09	10.81
	Hong Kong, Macao and Taiwan of China	%	25.00	0.00	25.00
	Overseas	%	20.00	31.25	18.18
Employee category	General manager level and above	%	Not disclosed	Not disclosed	1.15
	Director level	%	Not disclosed	Not disclosed	9.79
	Manager level	%	Not disclosed	Not disclosed	13.90
	Other employees	%	Not disclosed	Not disclosed	10.60

[18] 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)]. In order to better reflect the actual situation of the Group's human resource management and ensure the consistency of internal management and external disclosure coverage, the calculation of employee turnover rate in 2022 directly adopted the method used for the Group's human resources management, i.e. the statistical coverage for the number of employee turnover is based on the number of permanent employees who leave employment voluntarily. Due to the different statistical coverage in 2021, during the Year, we retroactively adjusted the turnover rate in 2021 to allow the same statistical coverage and calculation method to be used for the employee turnover rate in 2020 to 2022 to ensure data continuity and comparability.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator		Unit	2020	2021	2022
B Social					
B2 Health and Safety					
B2.1 Number and rate of work-related fatalities that occurred in each of the past three years (2020-2022)					
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	155	180	143
B3 Development and Training[19]					
B3.1 Percentage of employees trained by gender and employee category					
Percentage of total employees who took part in training		%	99.56	100	100
Gender	Male	%	52.12	52.35	52.50
	Female	%	47.88	47.65	47.50
Employee category	General manager level and above	%	0.35	0.98	0.89
	Director level	%	1.94	2.12	1.87
	Manager level	%	7.03	9.91	10.08
	Other employees	%	90.67	86.99	87.16
B3.2 Average training hours completed per employee by gender and employee category					
Average training hours per employee		hour/person	42.3	76.2	80.1
Gender	Male	hour/person	42.4	76.2	80.1
	Female	hour/person	42.2	76.2	80.1
Employee category	General manager level and above	hour/person	7.7	16.9	51.6
	Director level	hour/person	23.9	52.6	71.0
	Manager level	hour/person	23.4	56.2	68.0
	Other employees	hour/person	45.5	79.7	82.0

[19] 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	2020	2021	2022
Average training hours completed per employee by age, geographical region and type of training					
Age	30 and below	hour/person	Not disclosed	Not disclosed	77.5
	31-49	hour/person	Not disclosed	Not disclosed	82.0
	50 and above	hour/person	Not disclosed	Not disclosed	79.4
Geographical region	China's mainland	hour/person	Not disclosed	Not disclosed	80.1
	Hong Kong, Macao and Taiwan of China	hour/person	Not disclosed	Not disclosed	82.3
	Overseas	hour/person	Not disclosed	Not disclosed	77.9
Average training hours per employee who participated in management training		hour/person	Not disclosed	Not disclosed	3.6
Average training hours per employee who participated in leadership training		hour/person	Not disclosed	Not disclosed	4.6
Employee training expenditure					
Average amount spent per employee on training and development programs		RMB/person	Not disclosed	Not disclosed	478.45
Employee engagement survey					
Percentage of employees who reported that they feel "actively engaged" or "engaged" out of the total workforce		%	Not disclosed	Not disclosed	72.39
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	Not disclosed	75

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator		Unit	2020	2021	2022
B Social					
B5 Supply Chain Management					
B5.1 Number of suppliers by geographical region [20]					
Total number of suppliers		nos	Not disclosed	2,055	1,877
Geographical region	Percentage/number in Southern China	%/nos	36%	689	667
	Percentage/number in Eastern China	%/nos	38%	837	724
	Percentage/number in Northern China	%/nos	10%	196	188
	Percentage/number in Central China	%/nos	7%	148	131
	Percentage/number in Northeastern China	%/nos	1%	30	31
	Percentage/number in Northwestern China	%/nos	5%	99	92
	Percentage/number in Southwestern China	%/nos	2%	47	36
	Percentage/number in foreign countries	%/nos	1%	9	8
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	137	142	77
Medication queries		nos	8	9	20

[20] The number of suppliers by geographical region in 2020 is expressed by percentage, while the number of suppliers by geographical region in 2021-2022 is expressed by actual number.

12.2 DATA LIST OF KEY PERFORMANCE INDICATORS *(Continued)*

ESG Indicator	Unit	2020	2021	2022
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	Not disclosed	8	11
Total number of hours of anti-corruption training provided to directors	hour	Not disclosed	11.5	22
Number of employees who attended anti-corruption training	person	Not disclosed	8,580	9,005
Total number of hours of anti-corruption training provided to employees	hour	Not disclosed	35,375.9	22,422.5
B8 Community Investment				
B8.2 Resources contributed to the focus areas				
Cash donation	RMB10,000	714.6	1,349.8	373.1
In-kind donation	RMB10,000	366.4	595.4	624.7
Total charitable donation	RMB10,000	1,081.0	1,945.2	997.8
Of which: Investments in health	RMB10,000	Not disclosed	154.4	330.8
Investments in education	RMB10,000	Not disclosed	645.0	61.5
Investments in industry assistance	RMB10,000	Not disclosed	240.2	10.0
Investments in disaster relief	RMB10,000	Not disclosed	885.1	322.1
Investments in rural revitalization	RMB10,000	Not disclosed	Not disclosed	244.7
Investments in other areas	RMB10,000	Not disclosed	20.5	28.7
Time: employee volunteering during paid working hours	hour	Not disclosed	Not disclosed	1,522

13 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、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, 12.1
	KPI A2.1	12.2
	KPI A2.2	12.2
	KPI A2.3	10.2, 10.4
	KPI A2.4	10.2, 10.3, 10.4
	KPI A2.5	12.2
Aspect A3: The Environment and Natural Resources	General disclosure	10, 12.1
	KPI A3.1	10
Aspect A4: Climate Change	General disclosure	10, 12.1
	KPI A4.1	10.5
B. Social		
Employment and Labor Practices		
Aspect B1: Employment	General disclosure	9, 12.1
	KPI B1.1	9.1, 12.2
	KPI B1.2	12.2
Aspect B2: Health and Safety	General disclosure	9, 12.1
	KPI B2.1	9.4, 12.2
	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
B. Social		
Employment and Labor Practices		
Aspect B4: Labor Standards	General disclosure	9, 12.1 (During the Reporting Period, the Group complied with laws and regulations that have significant impacts on labor employment of the Company, including the prevention of child labor, forced labor, etc.)
	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 (During the Reporting Period, the Group strictly complied with laws and regulations related to intellectual property rights protection)
	KPI B6.4	7.3, 7.4, 7.5
	KPI B6.5	5.1, 5.2, 7.5 (During the Reporting Period, the Group strictly complied with laws and regulations related to protection on consumer data and privacy)
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 and money laundering)
	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	6, 11, 12.1
	KPI B8.1	6, 11
	KPI B8.2	11, 12.2

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