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

Stock Code 股份代號: 1513

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

（在中華人民共和國註冊成立的股份有限公司）

2024
環境、社會及管治報告
Environmental, Social and Governance Report

* For identification purpose only 僅供識別

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ABOUT THIS REPORT

OVERVIEW

This report is the ninth 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 2024 to 31 December 2024 ("Reporting Period", "the Reporting Period", "the Year", or "this Year") to disclose the ESG performance of the Company and its subsidiaries for 2024. To enhance the comparability and completeness of the contents of the Report, some contents are traced back to previous years or extended to the first quarter of 2025, as appropriate.

BASIS OF THE REPORT

The Report has been prepared in accordance with the requirements of Appendix C2 Environmental, Social and Governance Reporting Code to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Self-Disciplinary Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange – Sustainability Reporting (Trial), and has taken into account the results of the Company's analysis of material issues.

SCOPE AND BOUNDARY OF THE REPORT

The coverage of the Report is in line with the scope of consolidated financial statements as set out in the 2024 annual report of the Company.

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. Unless otherwise specified, all monetary amounts are denominated in Renminbi (RMB).

CONFIRMATION AND APPROVAL

The Report was confirmed by the Company's management and approved by the board of directors (the "Board") on 23 April 2025.

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 any comments or suggestions regarding the Report, please contact the Company by 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.

EXPLANATION FOR ABBREVIATIONS

In order to facilitate presentation and reading, unless otherwise specified, the following abbreviations have the meanings below:

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

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CHAIRMAN'S MESSAGE

Mr. Zhu Baoguo

Chairman of the Board

Dear stakeholders and all friends who care about Livzon,

In 2024, under the dual drive of technological innovation and policy adjustment in the pharmaceutical industry, Livzon Group has always been committed to the mission of "prioritizing the quality of life of patients". With the vision of "becoming a leader in the pharmaceutical industry", the Group focuses on planning the robust operation and development in its main innovative pharmaceutical business. Faced with the support of national policies and opportunities arising from industry transformation, we always uphold compliance as the baseline while embracing change with an open mindset. By pushing forward with R&D innovation, integrating AI technology into drug R&D process, improving talent development systems, accelerating global product deployment, and shifting pharmaceutical R&D from being "experience-driven" to "technology-driven", we have laid a robust foundation for long-term sustainable growth.

In 2024, Livzon Group resolutely implemented the strategy of "independent R&D + BD dual-wheel drive", focusing on the dual pathways of "innovative drugs + high-barrier complex preparations". With innovation serving as the engine and globalization as the vision, the Group deployed resources around its advantageous fields such as gastroenterology, assisted reproduction, and psychoneurosis, and progressively expanded into the fields of chronic diseases such as metabolic disorders, anti-infectives, cardiovascular/cerebrovascular diseases to supplement the R&D pipeline, consolidate the core product portfolio, and open up new areas of accessibility. In the field of assisted reproduction, Triptorelin Acetate Microspheres for Injection (1M) was granted the launch approval for the new indication of endometriosis, and the marketing application for Recombinant Human Follitropin Alfa Solution for Injection was submitted and accepted at the end of January 2025; in the field of psychoneurosis, following the license application submission for Aripiprazole Microspheres for Injection in 2023, supplementary materials were successfully submitted during the Reporting Period, with launch approval expected in the first half of 2025; in the field of auto-immunity, the phase III clinical enrollment for the psoriasis indication of Recombinant anti-human IL-17A/F Humanized Monoclonal Antibody Injection was completed, while the phase III clinical enrollment for the ankylosing spondylitis indication was completed; in the field of metabolism, the marketing authorization application for Semaglutide Injection for type 2 diabetes was accepted, and the phase III clinical enrollment for its weight loss indication was completed. The continuous output of R&D results has paved the way for international expansion. In the field of assisted reproduction, Cetrorelix Acetate for Injection was approved by the US FDA for marketing in 2024. These fruitful results have consolidated the Group's position in various formulation fields, brought more high-quality treatment options to patients, and fully embodied the corporate mission of "prioritizing the quality of life of patients".

The Group continues to make efforts in access to medicines. In active response to the national call, the Group effectively improves the accessibility and affordability of pharmaceutical products through multiple measures to promote the balanced distribution and accessibility of medical resources. During the year, a total of 191 products of the Group were included in the Medical Insurance Catalogue, of which 92 were in the class A list and 99 were in the class B list, further expanding the choices of medicines available to patients. In terms of pricing, the Company adheres to the principle of "high quality at affordable prices", optimizing processes to reduce production costs and providing cost-effective products for clinical use. In terms of international expansion, Livzon Group has further expanded the overseas reach of its products. In 2024, in the chemical drug preparation segment, a registration application was submitted for Cetrorelix Acetate for Injection in the United States; in the API and intermediate segment, high-end pet drugs Fluralaner and Afoxolaner as well as antibiotic product Dalbavancin Hydrochloride are undergoing registration in the United States; in the biological products segment, the Company is actively distributing Recombinant Human Choriogonadotropin alfa for Injection in the Asia, Africa and Latin America regions; in the traditional Chinese medicine segment, Jingfu Antipruritic Granules were granted the launch approval in Russia. The Company has also established a joint venture with Kalbe's subsidiary in Indonesia to strengthen its local production distribution and inject new momentum into its international development. Through a global two-way licensing cooperation model, the Company introduces advanced technologies and products while also promoting its competitive products to international markets, bringing more well-beings to patients around the world.

The Group continues to focus on its talent strategy, keeps optimizing mechanisms, and enhances corporate vitality in an all-round manner. The Company continuously optimizes and improves its systematic talent development mechanism. While nurturing and identifying talents internally, the Company actively expands its global talent acquisition strategy to adapt to the needs of its rapid development and industry transformation trends. The Group uses the Livzon Business School as its core platform to build a diversified employee training system, empowers employees on demand through a learning model that combines online and offline forms and integration of resources, and stimulates organizational vitality. The company strictly standardizes training management, improves supporting resources, promotes the systematization and institutionalization of employee training, and continuously delivers high-quality talents for business development. The Company values employee well-being, practices the values of "happy life, happy work", and creates a harmonious corporate culture. By improving working and living facilities, optimizing the industrial park environment, and organizing a variety of team activities, we create a comfortable and convenient working and living space for employees, enhancing team cohesion and collaboration spirit, and injecting strong impetus for the sustainable development of the enterprise.

The Group actively responds to the national carbon peak and carbon neutrality policies, deeply implements the concept of sustainable development, and further improves the management of pollutant discharge and resource utilization. In addressing climate change, the Company has incorporated climate risks into the Group's ESG risk management system, detailing the impact of related risks and opportunities on the financial level. In 2024, for the first time, we conducted a scope 3 greenhouse gas inventory to thoroughly assess carbon emissions in the upstream and downstream value chains of the Company and actively implement the concept of low-carbon operations. The Group has established a sound environmental management system, and continuously improves environmental management effectiveness through continuous optimization of treatment processes and regular monitoring and evaluation. The Company attaches great importance to the potential impact of pollutant discharge on employees and local communities. We conduct in-depth analyses and develop risk assessment and control plans to ensure compliant discharge. Meanwhile, we actively conduct environmental awareness and professional technical training to strengthen the relevant employees' environmental expertise in areas such as "three waste" treatment, water resource management, and energy management.

Bearing in mind its public welfare mission, Livzon is actively engaged in rural revitalization and educational public welfare, and contributes to a healthy China and common prosperity through industrial assistance and resource coordination. During the Year, the charitable donation of Livzon amounted to RMB12.98 million. The Group continues to promote the Public Welfare Program for Prevention and Treatment of Chronic Diseases, focusing on remote areas with high incidence of chronic diseases such as hypertension and hyperlipidemia. Through drug donations, we reduce the financial burden on patients. As at the end of the Reporting Period, the Company had entered into a total of 31 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases, covering 9 provinces and 4 autonomous regions across the country, and had benefited more than 30,000 people with chronic diseases. The Company has also established long-term scholarship programs with well-known colleges and universities, and made charitable donations to educational charities to support scientific research and teaching efforts and the growth of outstanding students, and promote the balanced distribution of educational resources.

Long as the journey is, we will reach our destination if we stay the course; high as the mountains stand and vast as the waters span, we will prevail if we press on. On the road to the future, Livzon Group will remain true to its founding principle of "prioritizing the quality of life of patients", stay focused on innovation and R&D, practice social responsibility, promote green transformation, optimize product portfolios, and provide more high-quality treatment options for patients. We are willing to align with the grand blueprint of healthy China, enable the balanced development of medical resources with innovation, protect the health and well-being of all people with the heart of universal benefits, and contribute to the realization of the "Healthy China 2030" goal.

Mr. Zhu Baoguo
Chairman of the Board

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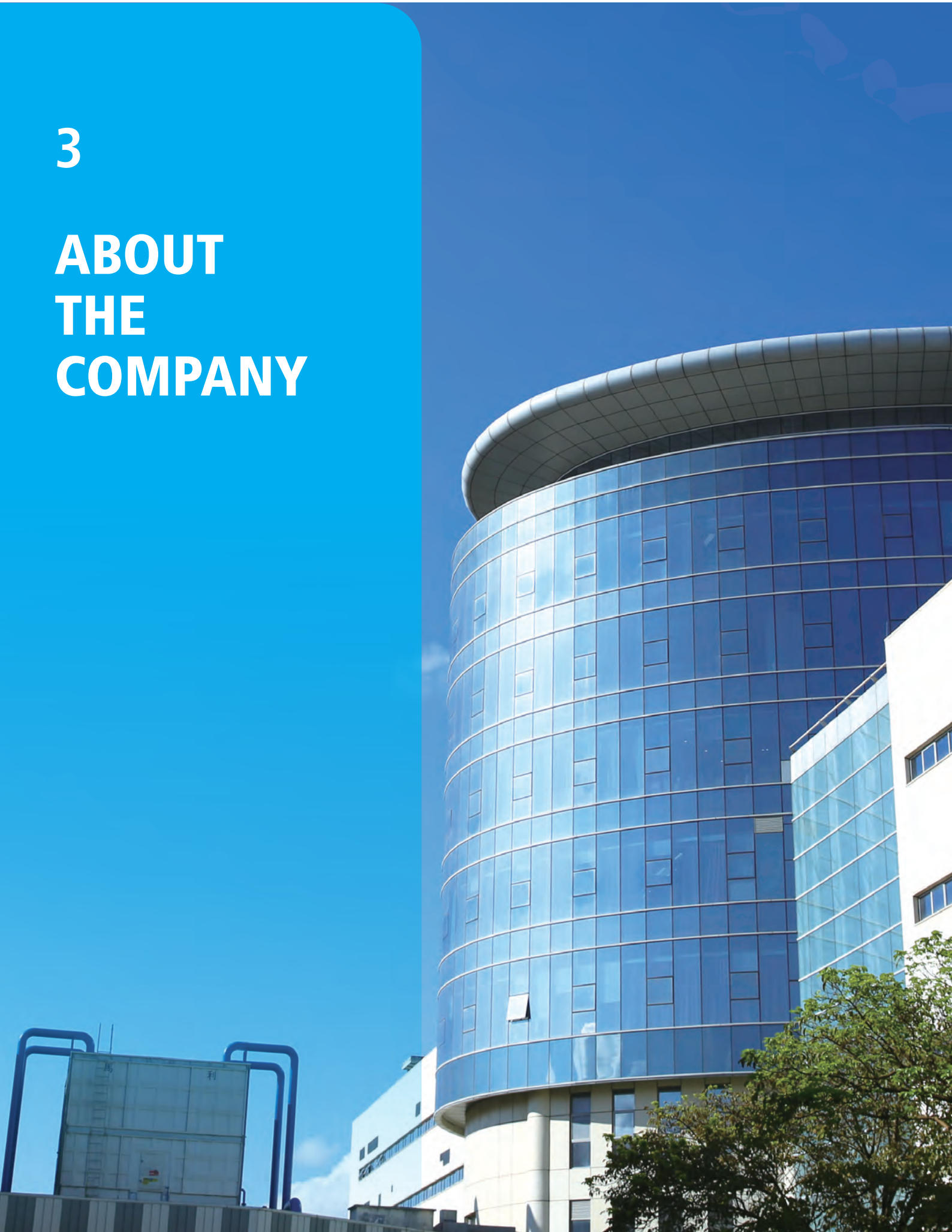
ABOUT THE COMPANY



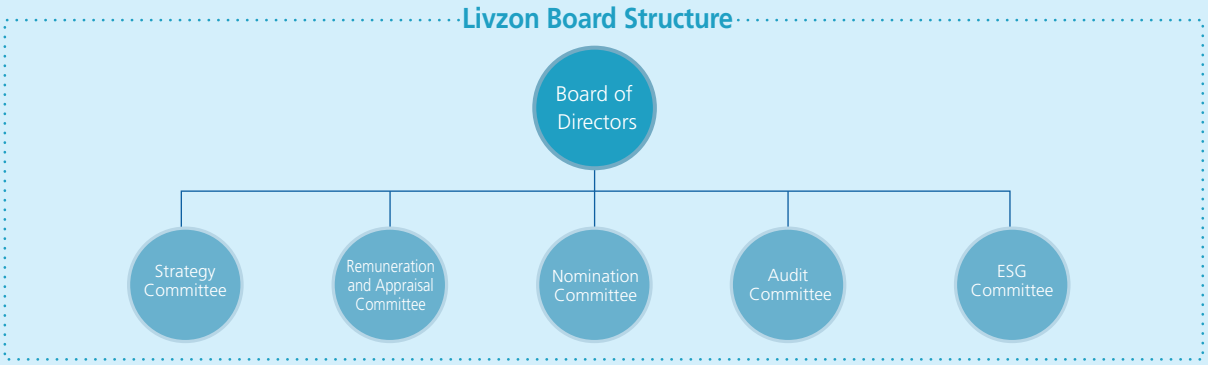
3.1 THE COMPANY'S BUSINESS

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.

Regarding R&D and innovation as the cornerstone of sustainability, the Company continued to pay attention to new molecules and cutting-edge technologies in the field of global new drug R&D, and planned distribution of innovative drugs and high-barrier complex preparations based on clinical value and differentiated prospect. With a focus on gastroenterology, assisted reproduction, psychoneurosis, and other fields, the Company formed a complete product portfolio and a differentiated product pipeline covering the entire R&D lifecycle, which includes preparation products, APIs and intermediates, and diagnostic reagents and equipment.

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 decision-making and regulatory bodies of the Company, including the General Meeting, 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. For more information on corporate governance, please refer to Livzon 2024 Annual Report.



Diversity of the Board

The Company highly recognizes the contribution of a diverse Board in its corporate 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. The Company makes 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 makes sure that the Board includes at least one female member to achieve gender diversity in the Board. The nomination committee under the Board of the Company is responsible for monitoring and reviewing the Board diversity policy to ensure that it is working effectively.

As at the end of the Reporting Period, the Board of the Company comprised 11 directors, including 2 executive directors, 4 non-executive directors, and 5 independent non-executive directors, of which 1 was a female director.

3.3 PERFORMANCE HIGHLIGHTS IN 2024

Economic performance

Net profit attributable to the shareholders of the Company

RMB **2,061** million, a year-on-year increase of **5.50%**

Tax revenue created for the country

RMB **1,531** million

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

RMB **1,656** million

Economic performance

Social contribution per share

RMB **5.87** per share

Social performance

R&D innovation

Number of R&D employees and its percentage to the total number of employees

908, 10.01%

R&D investment and its proportion in operating income

RMB **1,044** million, **8.84%**

Inclusive health

Products included in the National Medical Insurance Catalogue

191

Fair pricing policy that matches local income levels in South Asia, Southeast Asia, South America, and Africa for

28 products

3.3 PERFORMANCE HIGHLIGHTS IN 2024 *(continued)*

Social performance

Health and safety

Investment in work safety and occupational health

RMB **34** million

Certification rate of 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

Social performance

Diversity and training

Percentage of female employees to the workforce

47%

Number of minorities

559

Average length of training for staff

102 hours

Social performance

Public welfare and charity

Expenditure on charitable donation

RMB **12.98** million

By the end of the Reporting Period, agreements signed in relation to the Public Welfare Project for Prevention and Treatment of Chronic Diseases

31

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

30,000

3.3 PERFORMANCE HIGHLIGHTS IN 2024 *(continued)*

Environmental performance

Greenhouse gas emission

Total CO_2 emissions and percent reduction compared to 2020

525,420 tCO_2e, 8.5%

Increase of total CO_2 emissions compared to previous year

11,087 tCO_2e

Reduction of CO_2 emission intensity compared to 2020

14%

(2024 target: 22%)

Target year of achieving carbon neutrality

2055

Environmental performance

Environmental investment

Environmental protection investment

RMB 74 million

Of which:

Investment in maintenance of environmental protection operation

RMB 63 million

Investment in renovation of environmental protection equipment

RMB 11 million

System and certification

Certification rate of GB/T 24001-2016/ISO 14001:2015 Environmental Management System

100%

ESG rating performance

MSCI ESG scored

AAA

S&P Global CSA score:

67

Included in the "Sustainability Yearbook 2025" by S&P Global

CDP (Climate Change Response) scored

B

3.4 THE COMPANY'S HONORS

Name of Award	Issued by
25th in the 2023 Top 100 Enterprises in Chinese Pharmaceutical Industry	The 41st China Pharmaceutical Industry Information Annual Conference 2024
Information disclosure rating: A	Shenzhen Stock Exchange
Best Practice Case of the Board of Directors of Listed Companies in 2024	China Association for Public Companies
The 2024 ESG Golden Dawn Award, The Golden Dawn Environmental Responsibility Award, The Golden Dawn Leadership Award	WEEKLY ON STOCKS

3.4 THE COMPANY'S HONORS *(continued)*

Name of Award	Issued by
Top 100 Value of Main Board Listed Companies in China	egsea.com
Best Board of Directors of Listed Companies	National Business Daily
Listed Companies with Excellent High-Quality Development, Best Investment Value for Listed Companies	Hong Kong Ta Kung Wen Wei Media Group
Corporate Governance Special Contribution Award	Directors & Boards
The Top 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness in 2024	Healthcare Executive

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ESG GOVERNANCE

A robust ESG governance system is the internal foundation on which companies can efficiently fulfill their environmental and social responsibilities. To achieve the Company's ESG management goals and improve the Company's ESG governance, Livzon continuously strengthens ESG risk management, regularly inspects the progress of ESG tasks, and rationally adjusts ESG governance policies and strategies. Meanwhile, we maintain active communication with stakeholders, 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, and continues to improve the ESG management mechanism to lay a solid foundation and provide a strong guarantee for the sustainable and high-quality development of the Group.

ESG management approach and strategy:

The Board continuously pays attention to global ESG development trends and changes in the macroeconomic situations at home and abroad, comprehensively finds out 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 provides timely guidance on the optimization and adjustment of the ESG management approach and strategy to ensure that the Group's ESG philosophy is up-to-date.

Goal setting and progress review:

The ESG Working Team of the Company sets ESG goals and related implementation plans; the ESG Committee regularly reviews the progress of achieving the ESG goals, provides requirements and recommendations for action on items that require improvement, and reports to the Board. In addition, to effectively promote Livzon's ESG management work, the Company has tied the remuneration of members of the ESG Working Team under the ESG Committee to ESG performance, and established a mechanism of tying management remuneration to ESG performance. For details of the Company's ESG goals and the progress made in achieving them during the Report, please refer to Chapters 5 to 11 of the Report.

4.2 ESG GOVERNANCE STRUCTURE

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 is responsible for formulating the vision, goals, and strategies of the Group's ESG, inspect the ESG management structure, regularly reviewing the results and performance of ESG-related work, and is accountable to the Board.

The ESG Committee has the ESG Working Team as its executive body, which is mainly responsible for the daily management of ESG, collaborating with the functional department, business unit and subsidiary of the Company to fully implement the ESG management strategy, regularly sorting out and summarizing the progress and results of the Group's ESG work, and reporting to the ESG Committee. In addition, the Company also has ESG full-time staff who are responsible for the implementation of specific ESG tasks in accordance with the ESG Working Team's management plan.

ESG governance level	Members	Duties
ESG Committee	It is chaired by the Chairman and consists of an executive director and three independent non-executive directors	Develop and review the ESG vision, goals, strategies, and management guidelines, inspect the ESG management structure and performance, and be accountable to the Board.
Team leader and deputy leader of the ESG Working Team	Team leader: president of the Company Deputy leaders: all vice presidents, chief medical officer, secretary to the Board, dean of the research institute, general manager of API business department, and all assistants to the president	Responsible for the daily management of ESG, regularly review the progress of the Group's ESG work and key ESG data, and report to the ESG committee.
Members of the ESG Working Team	Heads of the Company's functional departments, business units and subsidiaries	Implement specific ESG tasks as directed by the ESG Working Team leader and deputy leaders.

4.3 STAKEHOLDER COMMUNICATION

We highly emphasize maintaining 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 work.

Stakeholder	Issues of focus	Communication channels
Government and regulators	Product quality and safety Pollution control Emission management Ethical marketing Climate change mitigation and adaptation	Supervision and inspection, work reports, on-site visits, meetings between the government and the corporate sector, information disclosure
Shareholders and investors	Product quality and safety Risk management Corporate governance and compliance Resource consumption management Business ethics and anti-corruption Product R&D and technological innovation Energy efficiency and management	General meetings, daily information disclosure, investor communication conferences and on-site visits, hotlines and e-mails
Directors and senior management	Product quality and safety Intellectual property rights protection Corporate governance and compliance Talent attraction, retention and development Product R&D and technological innovation	Board meetings, daily operation and management meetings

4.3 STAKEHOLDER COMMUNICATION *(Continued)*

Stakeholder	Issues of focus	Communication channels
Staff	Occupational health and safety Employee compensation and benefits Protection of labor rights and interests Diversity, equality and inclusion Talent attraction, retention and development	Workers' representatives conference and trade union, employee engagement survey, opinion feedback platform
Consumers and clients	Product quality and safety Customer privacy and data security Biodiversity Responsible marketing Water resource management Product R&D and technological innovation	Product labels, client visits, consumer satisfaction survey, handling of consumer complaints and opinions
Partners and suppliers	Product quality and safety Sustainable supply chain management Industry development and cooperation Product R&D and technological innovation	Regular communication, training and advocacy, supplier audit
Local community	Pollution control Emission management Inclusive health and accessibility Community social welfare and charity	Participation in social welfare events, provision of regular assistance to the local community, volunteer service

4.4 MATERIAL ISSUES

During the Year, the Company formulated its ESG material issues matrix in accordance with the requirements of Appendix C2 Environmental, Social and Governance Reporting Guidelines to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Self-Disciplinary Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange – Sustainability Reporting (Trial) and in compliance with the double materiality principle by inviting internal and external interested parties to give feedback on the ESG issues from financial materiality and impact materiality.

4.4 MATERIAL ISSUES *(continued)*

Material evaluation process

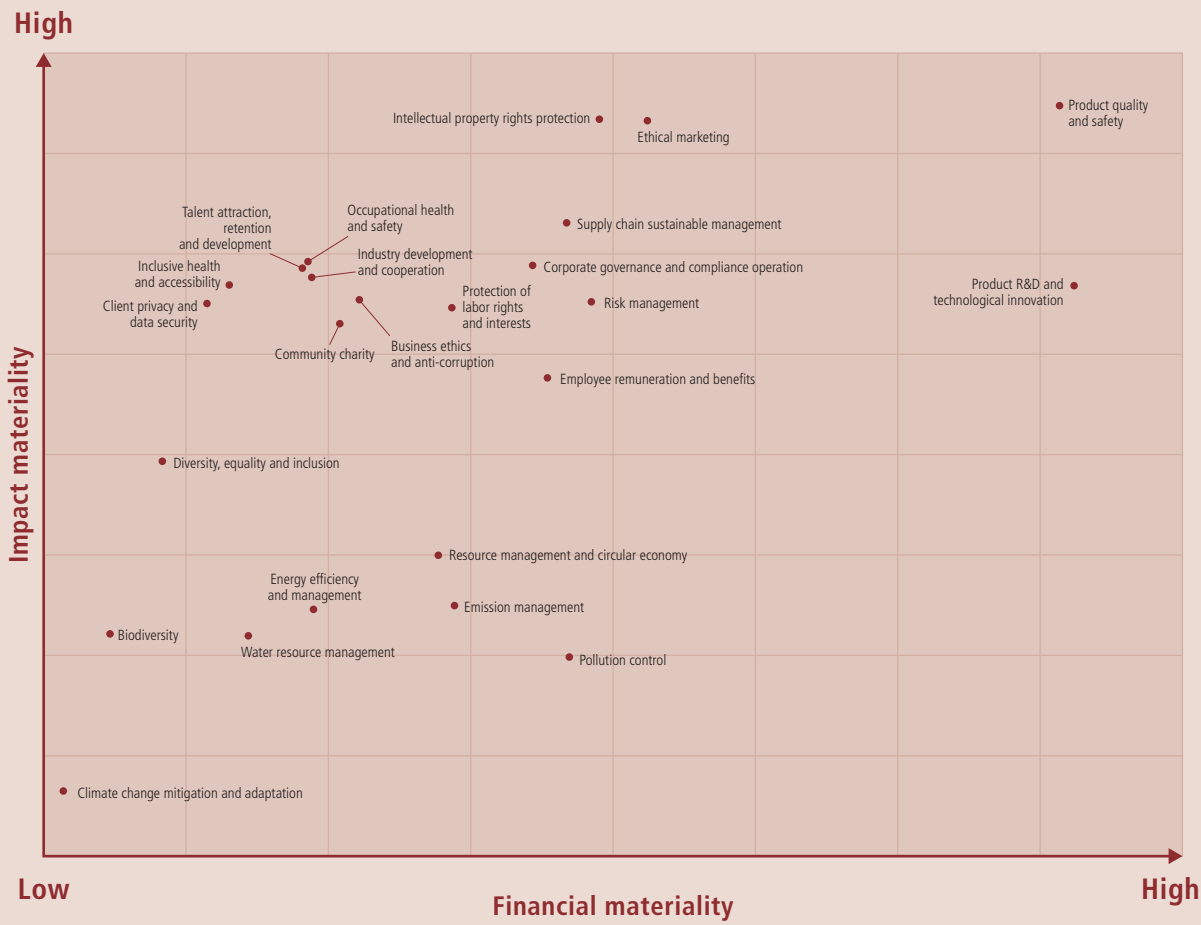
– **Review and update the pool of ESG issues:** updated the pool of ESG issues for the Year after comprehensive evaluation by following the requirements of securities regulatory rules and taking into account the overall business development of the Group in 2024 and the advanced ESG management practices of peer companies;

– **Formulate and implement the stakeholder engagement program:** communicated and investigated with important stakeholders to understand and collect relevant opinions and suggestions;

– **Quantify and evaluate ESG key issues:** asked internal and external interested parties such as the Company's directors, employees, investors, suppliers, distributors, government regulators, and local communities to evaluate each issue in terms of both financial materiality and impact materiality, and drew a matrix of material issues;

– **Review and approve the matrix of material issues:** submitted the evaluation report on material issues to, and published the results after review and approval by, the management.

Livzon Matrix of Material ESG Issues for 2024



4.5 RISK MANAGEMENT

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

Risk management structure

The Company has established a model of three defensive lines, a risk management structure, to effectively control corporate risks, strengthen systematic risk management, and fulfill risk management goal. The top regulatory authority within the structure is the audit committee under the Board. For more information on the Company's risk management and internal control, please refer to the Company's 2024 Annual Report.

The Company has incorporated the principle of risk control into the daily production management, and has established an incentive and constraint mechanism for the implementation of risk management and internal control. It has included the effectiveness of risk management and the implementation of internal control by each responsible unit into the performance evaluation system to promote the effective implementation of internal control.

4.5 RISK MANAGEMENT *(continued)*

Risk management culture

The Company integrates a risk management culture into its corporate culture development, advocates the concept of "everyone participates in risk management", and encourages employees to actively offer suggestions and opinions for improving risk management practices, creating a positive risk management environment. The Company regularly provides risk management training for the Board and conducts risk management knowledge training for staff to increase their risk awareness and risk management capabilities, and improve their ability to detect potential risks and take appropriate preventive measures in their daily work.

Example: detected risks

- Risk of trade secrets disclosure
  - Risk characterization: Disclosure of the Company's core technologies, intellectual property, strategies, and other trade secrets to competitors may lead to the Company's decreased revenue and weakened competitiveness.
  - Possibility of risk emerging: Likely
  - Degree of the potential influence on business: Medium-high
  - Response measure: Improve confidentiality measures, including but not limited to, implementing classification management of trade secrets, finding new positions that involve secrets, refining job responsibilities, signing confidentiality agreements, and raising employee awareness of confidentiality and legal risks about trade secrets.

4.5 RISK MANAGEMENT *(continued)*

Risk management culture *(continued)*

Example: detected risks *(continued)*

- Risk of single-supplier procurement
  - Risk characterization: Over-reliance on a single supplier may lead to the Company's lack of flexibility in technology, pricing, and supply, resulting in price monopolies, increased procurement costs, or risks such as production stoppages.
  - Possibility of risk emerging: Likely
  - Degree of the potential influence on business: Medium
  - Response measure: Eliminate single-source procurement as a routine procurement practice by, for example, developing double-purchasing plans, establishing reasonable inventories, and signing supply assurance agreements; conduct regular supply chain risk evaluation and maintain supplier relationships.

4.5 RISK MANAGEMENT *(continued)*

Emerging risk

We detect and evaluate emerging risks to the long-term development of the Group and social progress in the social and environmental fields every year, and take appropriate measures to prevent and alleviate them in the course of operations.

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

5

OPERATION COMPLIANCE

Always upholding the principles of compliance and integrity and strictly abided by national laws and regulations, Livzon has established a comprehensive corporate governance system. Operation compliance is not only the cornerstone of ensuring the long-term and stable development of the Group, but also the key to enhancing corporate reputation and brand value. By establishing a sound internal control mechanism and conformance management system, we can effectively prevent corruption and fraud, reduce operational risks, promote the rational allocation and efficient use of resources, and thereby enhance the Company's competitiveness and sustainable development ability.

5.1 BUSINESS ETHICS

Regarding management of business ethics as a priority of corporate governance, the Group continuously strengthens system construction. Several business ethics management systems have been developed and published on the Company's official website, including the Anti-Corruption and Anti-Commercial Bribery Regulations, the Interim Provisions on Anti-Fraud, and the Administrative Measures for Reporting and Complaint.

5.1 BUSINESS ETHICS *(continued)*

5.1.1 Anti-corruption

Consistently upholding the philosophy of operating with honesty and integrity, Livzon adopts a zero-tolerance attitude toward any form of commercial subornation and corruption and constantly improves anti-commercial subornation and anti-graft system construction. During the Year, we did not identify nor were aware of any concluded legal cases regarding corrupt practices, laundering illicit money, inside dealing brought against the Group or its employees.

- **Building an anti-corruption system**

  The Group strictly adheres to internal management norms and requires all relevant parties (including suppliers, service providers, contractors, clients, etc.) that have business transactions with the Group to strictly abide by the Anti-Corruption and Anti-Commercial Bribery Regulations and sign the Supplier Commitment for Operating with Integrity. In addition, we have defined integrity commitment clauses in commercial contract templates of the Group, requiring the counterparties of the Group to operating with integrity and take active part in integrity training organized by the Group. If there is any violation, the Group has the right to terminate the contract.

  At the same time, we regularly conduct audit of anti-corruption on suppliers to check whether they adhere to the Company's business ethics related systems. In daily operations, the risk management and control departments of the Group's enterprises continuously inspect the procurement process and provide suppliers with business ethics related training. During the Year, we undertook anti-graft inspection on 187 suppliers.

  For any corruption and commercial subornation 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)*

- **Fostering an anti-corruption culture**

Livzon firmly regards honesty and integrity as the cornerstone of its conformance culture. We make continuous efforts on internal and external promotion of anti-graft and integrity and integrate the concepts of integrity, honesty and anti-graft into daily management and business operations. Through continuous training and promotion activities, we enhance the integrity awareness of employees and business partners and cultivate a positive conformance culture.

The Company has formulated the Administrative Regulations on Staff Integrity to specify the business ethics guidelines to be followed by employees. The Company requires leaders at all levels to be the primary persons responsible for anti-fraud issues and all employees to sign the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery as a commitment to not seeking improper benefits in the performance of duties.

To build a solid defense for integrity in all respects, we regularly undertake promotion and training on anti– graft awareness and the philosophy of operating with integrity through various means, such as the promotion and implementation of staff handbooks and company regulations, staff training, etc., so as to improve the integrity awareness of all employees and internalize the concept of integrity as a conscious work requirement for employees. During the Year, we offered one business ethics training covering permanent employees of the Group, reaching a training coverage of 98%. In addition, the Company offers anti-graft trainings and risk management trainings for directors at least once a year to increase their awareness and capabilities of risk management, observance risk prevention, and anti-commercial subornation and anti-graft, so as to effectively perform their supervisory and decision-making functions.

Case: Business ethics training

In February 2024, the Group provided business ethics training for 98% of its permanent employees. The training included case studies of corruption by enterprises and individuals from both within and outside the pharmaceutical industry, helping employees understand the concept of corrupt and subornation practices and related legal regulations, thereby increasing their awareness of conformance to laws and regulations and adherence to business ethics.

5.1 BUSINESS ETHICS *(continued)*

5.1.2 Whistleblowing protection

To effectively promote the development of integrity within the Group, we have established the Administrative Measures for Reporting and Complaint and built a regular reporting and complaint management mechanism to encourage all employees, suppliers, clients, contractors, business partners, and any other parties who have business relationship with the Group to actively participate in the Company's actions for a culture of integrity and honesty. We accept anonymous reports and real-name reports, and provide secure and confidential channels for whistleblowers to report any misconduct, ensuring that all complaints are handled in an effective manner, and contributing to the Group's compliant and high-quality development.

In protecting the legitimate rights and interests of whistleblowers, we have taken strict confidentiality approach. The departments that accept reports must keep the information of whistleblowers strictly confidential and ensure that their personal information and report content are not leaked in any part of the process. We promise to complete the investigation within 30 working days and issue a written investigation report, while continuously following up subsequent handling. For violation of the regulation by disclosing information of whistleblowers or taking revenge on them, the Company shall impose penalties such as position transfer, salary deduction and demotion, until transfer to judicial authorities in accordance with the seriousness of the circumstances.

5.1.3 Clinical ethics

In the clinical R&D process, Livzon strictly abides by relevant laws, regulations, and moral norms, including the Drug Administration Law of the PRC, the Good Clinical Practice, the Measures for Ethical Review of Life Science and Medical Research Involving Humans, the World Medical Association Declaration of Helsinki, the Personal Information Protection Law of the PRC, and the Good Pharmacovigilance Practices for Pharmaceutical Products to ensure that the clinical R&D process meets scientific and ethical requirements. The Company has established a comprehensive clinical research management system that covers trial protocol design and review, trial preparation, trial execution, trial data management, and statistical analysis. Standard operating procedures and work manuals are regularly updated and improved in accordance with regulatory systems, industry guidelines, and adjustments to the Company's structure. During the Reporting Period, the Company did not act in violation of clinical ethics norms.

- **Ensuring the safety of subject's information and confidentiality**

  We attach great importance to the subjects' right to know and confidentiality and protect their rights and interests through ethical review and informed consent. The Company accepts reviews and oversight by the clinical trial ethics committees throughout the trial process, including: during the clinical trial preparation phase, submit essential ethical materials such as clinical trial protocol, informed consent form, drug test report, and clinical trial insurance to the ethics committees for approval before a trial can commence; during the clinical research period, ensure that changes to the trial protocol and other related materials are only implemented after receiving approval from ethics committees, and regularly submit follow-up review reports to the ethics committees.

  We have implemented strict data encryption and secure storage approach to ensure no unauthorized access and misuse of subject's information and carefully prevent harms and risks from disclosure of subject's private information. During the acquisition of subject's information, we follow the following principles: firstly, strictly limit the scope of information acquisition and explicitly prohibit the acquisition of information irrelevant to clinical research; secondly, apply the principle of minimization for the acquisition of personal information that must be obtained; thirdly, clearly define subject's information that must be obtained but cannot be partially obtained and obtain the subject's written consent. After the preliminary acquisition of information, the Company uses a GCP-verified clinical trial electronic data capture system for information management. Additionally, the Company carries out strict training and certification for clinical researchers who have access to information of subjects to guarantee the security of information and confidentiality from the two dimensions of technology and personnel qualification.

5.1 BUSINESS ETHICS *(continued)*

5.1.3 Clinical ethics *(continued)*

- **Implementing moral norms for animal testing**

  The Company strictly implements the ethical guidelines and legal provisions related to animal testing and has developed the Procedures for Laboratory Animal Ethics Management to regulate laboratory animal operations and effectively protect the welfare of laboratory animals. Before carrying out animal experiments, we have ethical approval for the animal experiment protocols and strictly conduct experiments within the scope of the protocols. In the process of experiments, we give full consideration to ethical responsibility and animal welfare, providing appropriate living environments and careful care to reduce stress, pain, and harm of animals. We strive to achieve the best balance between scientific progress and moral responsibility.

Case: Clinical ethics training

In March 2024, the clinical operations head office of the Company provided GCP regulation training for all staff, emphasizing the ethical review requirements in clinical trials and the importance of protecting the rights and interests of trial subjects. The training covered clinical ethics-related regulations, such as the Measures for the Ethical Review of Biomedical Research Involving Humans, the Measures for Ethical Review of Life Science and Medical Research Involving Humans, and the Guidelines for the Establishment of Ethical Review Committees for Clinical Research Involving Humans.

5.1.4 Responsible marketing

The Group always upholds the bottom line of compliance and follows a rigorous and prudent approach in all sales and marketing activities by adhering to all applicable laws, regulations, and industry guidelines in places where it operates, contributing to the maintenance of a healthy and orderly market environment, thereby establishing a solid foundation for the Company's long-term development. At the same time, the Group has developed several accountable marketing systems to manage and regulate the marketing behavior of all employees of the Group to ensure that marketing activities are legal and compliant. During the Year, the Group received no complaints or legal proceedings on misleading or deceptive promotion information.

- **Improving the responsible marketing system**

  The Company strictly complies with the requirements of the Basic Norm for Enterprise Internal Control. The risk management head office carries out daily and special supervision of the Group's risk management and internal control. Each year, a third-party organization inspects the effectiveness of the Company's internal control over financial reporting, covering all enterprises within the scope of the Group's operation control. In addition, we regularly provide ethical marketing training for employees of the Group. We have established wide-ranging and thorough training courses on ethical marketing, which cover relevant laws and regulations on ethical marketing, rules and regulations of the Company, product knowledge, promotional norms, compliant promotion, notifications of non-conformance cases, etc. During the Year, the Group's trainings on ethical marketing covered 98% of the Group's employees.

5.1 BUSINESS ETHICS *(continued)*

5.1.4 Ethical marketing *(continued)*

- **Preventing unfair competition**

To effectively prevent unfair competition and ensure the legal conformance of the Group's operations, we have taken comprehensive and rigorous approach to actively promote the creation of a healthy and fair business environment and provide strong support for the sustainable development of the industry. First of all, the Company has established a sound internal control mechanism to ensure that all business practices strictly adhere to laws and regulations and ensure the transparency and normalization of business processes through continuous supervision and evaluation, so as to effectively avoid potential risks. We also attach importance to the training and development of employees and the shaping of their awareness of conformance. We regularly organize training courses on legal knowledge and compliant operations to improve employees' legal awareness and professional ethics. Employees are encouraged to take the initiative to practice high standards of professional conduct in all aspects of their daily work.

In terms of cooperation with business partners, we sign detailed competition rules and conformance agreements, which clearly stipulate the principle of fair competition that both parties shall follow, prevent any form of unjust enrichment, and maintain fairness and integrity in the partnership. During the Year, the Group was not involved in any legal proceedings or major administrative penalties resulting from unfair competition practices.

5.2 DATA SECURITY AND CLIENT PRIVACY PROTECTION

In today's era when digitalization is deeply embedded in corporate operations, Livzon regards safeguard of data safety and privacy as an important responsibility for corporate operations, as we are keenly aware of the critical importance of it for a company's stable development and the maintenance of client trust. The ESG Committee under the Board is responsible for supervising the Group's information safety and privacy preservation matters. The information head office regularly prepares an information risk evaluation report based on the performance on information safety management in the current year and submits it to the ESG Committee for consideration and approval.

The Company has established several information safety and data preservation systems, such as the Information System Management System, the Information System Operation and Maintenance Management System, the Emergency Response Management System, and the Incident Response Plan of Data Breach, which cover information safety management across all operations of the Group. During the Reporting Period, the Group had no information safety incidents or data leakage, nor was it involved in any lawsuits on information and information safety against the Group or its employees.

Through a combination of proactive and reactive approach, the Company continuously and actively carries out information safety maintenance and improvement work, striving to minimize the occurrence of information safety incidents.

Proactive approach

Safety systems and procedures: Develop and implement effective information safety systems, standards, and guidelines to ensure that all employees understand and follow relevant regulations.

Risk assessment and management: Actively conduct vulnerability detection for the business system on a regular basis to ensure the implementation of active protection strategies against every new hazard incident identified; engage third-party companies to perform vulnerability detection and implement appropriate treatment based on the discovered risks.

Technical protection approach: Provide unified deployment of enterprise-level anti-virus software, terminal safety management system, network access management system and automatic update service (WSUS) patch server, and have safety devices. Establish power supply and environmental supervision system to detect in real time the status of physical environment.

Information safety training: Regularly conduct special trainings on information safety management for information safety management personnel; the Company also includes information safety trainings in the onboarding training system of new employees and pushes messages from time to time on high risks of information safety and protection approach to all employees through the internal website, to improve employees' information safety awareness.

5.2 DATA SECURITY AND CLIENT PRIVACY PROTECTION *(continued)*

Reactive approach

Background supervision: Deploy the bastion host management system to supervise the operation permissions and code approval processes of administrators in the background.

Emergency response plan: The Company has established an incident response plan of data breach. In the event of a suspected data breach, our emergency response team will immediately confirm the incident, judge the scope of the data breach and the affected systems, report the situation to the emergency response leadership team and suspend related data access, notify the affected user groups, and make announcements as required by relevant laws and regulations.

Backup and recovery: Back up important data on a regular basis; deploy encryption management system on data terminals, implement safety approach such as storage snapshots and remote disaster recovery for data centers, and conduct regular system recovery tests to guarantee the availability, reliability and recoverability of data.

Post-incident analysis and improvement: For identified data safety risks, the emergency response team will evaluate the affected systems, data, and devices, investigate logs for root cause analysis, and preserve relevant evidence; inform affected users of the results of handling, restore the affected systems and devices; and reinforce and upgrade based on identified vulnerabilities to prevent similar attacks to the systems from recurring.

To effectively ensure the stable operation of information systems and manageability of data safety, we entrust a third-party independent institution to conduct an annual inspection of the Group's information systems and data safety management every year to comprehensively identify and evaluate the relevant risks; we actively take positive adjustment and make improvements based on the inspection results, and continue to improve the Group's ability to prevent information and data safety risks. During the Year, the Company issued the privacy policy which clarifies the principles of client privacy preservation.

During the Year, we provided training on information safety and client privacy preservation for employees of the Group, reaching a training coverage of 98%. We also regularly promoted and disseminated information safety knowledge throughout the Group to continuously improve the information safety and client privacy preservation awareness of staff.

Case: Information security and client privacy protection training

- In May 2024, the Group organized an information safety awareness training for staff. The training started from case studies of large foreign companies being hacked and introduced common network fraud techniques used in hacking. It also promoted the Company's information safety systems and regulations to help staff increase their awareness of information safety responsibility and standardize daily data safety management.

- In July 2024, the Group organized a training session for all the fresh graduates of 2024 on Information Safety, BPM System Usage, and Introduction to the Use of Feishu. The training covered the Company's information safety norms, the BPM system, precautions for using Feishu, precautions for sending and receiving emails, identification and disposal of spam and phishing emails, means for securing personal information, etc., to help foster a sense of information safety protection among new recruits.

5.3 SAFEGUARING OF INTELLECTUAL PROPERTY RIGHTS

Livzon regards safeguarding of intellectual property as a priority. According to the relevant notices from China National Intellectual Property Administration, the Company conscientiously maintains the patents it has applied for to ensure the stability and validity of its patent rights and interests. The Company also extensively explores the innovative technologies for various key products and is committed to building a comprehensive patent network, while always safeguarding against potential patent infringement risks.

The Company has established and follows the requirements of the Patent Workflow and Trademark Management System, which strictly regulates key processes, including patent risk assessment before product project establishment, patent transformation of R&D achievements, patent risk response for marketed products, and review of articles before publication, and provides in detail a series of workflows of new patent application, maintenance, transfer, purchase, technology financing, technology patent retrieval, infringement litigation, invalidity response, etc., to allow patent acquisition, maintenance, application and preservation to be managed in a more scientific, standardized, and orderly manner.

In addition, the Company's legal compliance head office maintains close communication and cooperation with the R&D team, and is committed to improving the efficiency of intellectual property management in an all-round way. On one hand, we actively promote patent mining by accurately extracting patentable innovations from research results and efficiently complete the drafting, application, and submission of patents to ensure that research results are promptly converted into intellectual property and build a strong legal protection shield for the Company's technological innovations. On the other hand, we actively follow up the development of projects under R&D to conduct patent risk assessments, provide reference for assessment of patent infringement risk, take appropriate approach such as patent evasion or invalidation according to the assessment results, and effectively resolve risks related to patent infringements, thereby ensuring the smooth progress of the Company's R&D projects.

We regularly organize intellectual property training and exchange activities in diversified formats, including legal and regulatory interpretations, case studies and sharing, risk assessments, and management. We aim to improve the awareness of intellectual property rights and patent preservation among R&D and conformance personnel, and enhance the Group's overall comprehensive capability in intellectual property rights and patent preservation.

Case: Intellectual property rights related award

Livzon's trademark was ranked among the top 100 in the 2nd Guangdong-Hong Kong-Macao Greater Bay Area High-value Trademark Cultivation Competition.

5.4 PARTY BUILDING ACTIVITIES

As at the end of the Reporting Period, Livzon had a total of 662 Party members, including 420 Party members in Zhuhai headquarters, 242 Party members in the Company's subsidiaries outside Zhuhai City, 11 Party branches directly under the Zhuhai Party Committee, and 7 Party organizations of the Company's subsidiaries outside Zhuhai City.

During the Reporting Period, with the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company's Party committee organized in-depth study of the spirits of the Report to the 20th National Congress of the Communist Party of China, the Third Plenary Session of the 20th Central Committee of the Communist Party of China, the Regulations on Disciplinary Actions of the Communist Party of China, and other important documents. Through intensive study sessions, special lectures, and other forms of study, Party members and cadres were guided to deeply understand the essence of these documents and effectively transform theoretical knowledge into work motivation and ideological guidance. Party building activities ensure that private enterprises implement the Party's line, principles and systems during their development, guide them to abide by national laws and regulations, align their development with national strategies, and prevent them from losing their direction in a complex market environment.

By carrying out Party-building activities, we arm the Company's employees, especially Party members, with the Party's theories and thoughts to create a common ideal and value pursuit and enhance internal unity and cohesion. We encourage Party members to play a pioneering and exemplary role, actively participating in the Company's technological innovation, management innovation, and other activities, injecting impetus into the Company's development. We organize various cultural activities, such as Party themed days and joint Party-building, to enrich employees' cultural lives, strengthen the Company's cultural heritage and vitality, create a harmonious corporate culture, and stimulate the innovation awareness and creativity of all employees.

Additionally, the Party committee organized Party members to visit Xibaipo for the learning and education activity for Party members themed "Drawing Strength from the Revolutionary Heritages to Support High-Quality Development of the Company". By visiting historical revolutionary sites and listening to the stories of predecessors, Party members were able to truly feel the great power of revolutionary spirit, draw strength from the revolutionary heritages, and integrate the Party's fine conduct into the corporate culture to form a positive work atmosphere and value orientation within the Company and encourage all employees to progress together, thus injecting continuous spiritual energy into the Company's high-quality development.

5.4 PARTY BUILDING ACTIVITIES *(continued)*

In 2024, the Company was honored with the title of "Strong Party Building and Development in Non-Public Enterprises in Zhuhai".

Case: Party building related activity

A group photo of the Company's Party member representatives who participated in the learning and education activity for Party members themed "Drawing Strength from the Revolutionary Heritages to Support High-Quality Development of the Company" in Xibaipo in May 2024

6

ACCESS TO HEALTH CARE

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

The Board of the Company represents the highest authority for issues of access to healthcare, and overseas the implementation of access to healthcare related work through the ESG committee, including strategies, policies and performance, committed to providing more equitable and accessible products and services for patients around the world.

Regarding promotion of inclusive 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 Agreement and Public Health and the Patent Law of the PRC in relation to granting compulsory licensing of relevant pharmaceutical patents for purposes of public interest or in emergencies.

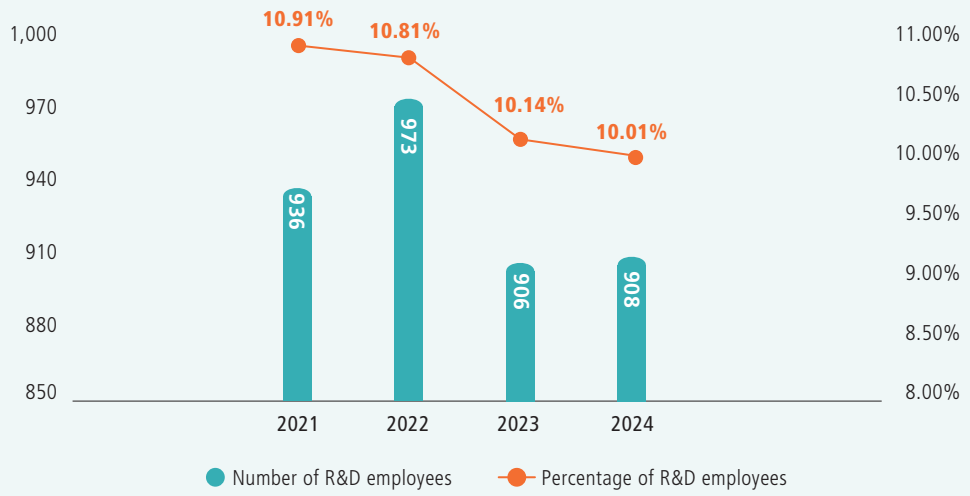
We support reasonable generics competition. Meanwhile, regarding to least developed countries and low-income countries with actual needs, we will consider entering into voluntary licensing agreements with appropriate third parties, on appropriate terms and conditions, to manufacture and import medicines to these regions for the benefit of the local people. In view of the current operating environment, lobbying for compulsory licensing and trade imports is not applicable to Livzon for now.

6.1 RESEARCH AND DEVELOPMENT INNOVATION

Regarding research and development 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 research and development, 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 research and development lifecycle.

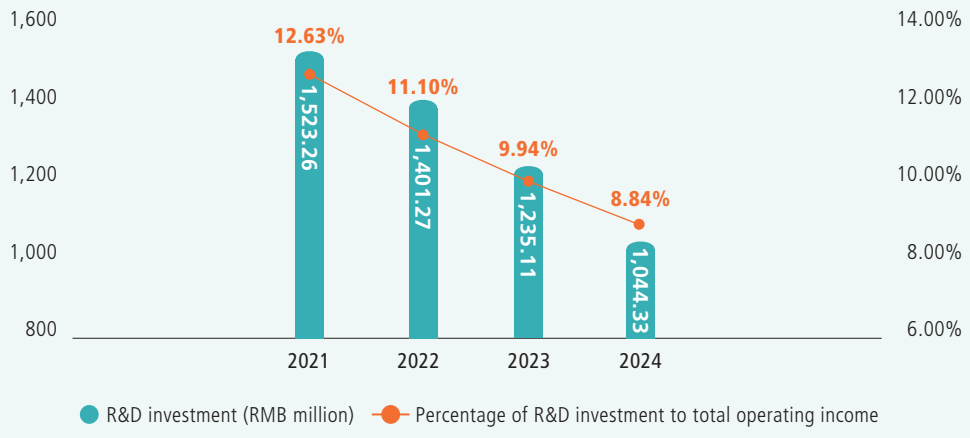
In 2024, Livzon had 908 R&D employees, accounting for 10.01% of the total number of employees, indicating a basically stable R&D team size.

Number and Percentage of Livzon's R&D Employees from 2021 to 2024



During the Year, Livzon's total expenditure relating to research and development amounted to RMB1,044.33 million, among which capitalized research and development investment accounted for 3.51% of total research and development investment, and research and development investment accounted for 8.84% of the Group's total operating income for the Year.

Livzon's R&D Investment and Percentage to Total Operating Income from 2021 to 2024



6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

Clinical needs oriented

The Company regards research and development and innovation as the foundation of sustainability. We take a "clinical value-oriented" approach to the layout of innovative medicines, 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 solving unmet clinical needs of patients and improving existing diagnostic and treatment regimens to meet the diverse medicine needs of patients. Relying on our strong independent research and development and innovation strength, while continuously incubating advantageous projects internally, we also seek complementary opportunities externally, focusing on new products already under clinical research and near commercialization, to further enrich the new medicine product matrix. We have established a professional new pharmaceutical technology research and development platform.

Modified new drug – Aripiprazole Microspheres for Injection

Aripiprazole is a new atypical anti-schizophrenia medicine for treatment of adult schizophrenia and bipolar disorder. The main form of aripiprazole available for sale in Chinese market is the oral preparation which needs to be taken every day. Livzon Microsphere develops aripiprazole as sustained-release microspheres for injection to realize prolonged-action and stable release of medicines.

The product's marketing authorization application was accepted by CDE in September 2023, and it passed the on-site inspection of pharmaceutical registration in January 2024. As at the end of March 2024, this product had passed the clinical registration inspection by 4 centers, and supplementary materials were successfully submitted in October 2024. Manufacturing license is expected to be obtained in April 2025, and the GMP compliance inspection of the production workshop will be completed in April 2025.

6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Modified new drug – Triptorelin Acetate Microspheres for Injection (1-month sustained release)

Triptorelin is an analogue of natural gonadotropin-releasing hormone (GnRH) for treatment of prostate cancer, precocious puberty in children, endometriosis (phase I to IV), etc.

Triptorelin Acetate Microspheres for Injection (1-month sustained release) developed by Livzon Microsphere is a chemical medicine of Class 2.2 and is the first domestically produced triptorelin prolonged-action preparation approved for production. It has been included in the National Medical Insurance Catalogue 2023.

The product's indication for prostate cancer was approved on 6 May 2023. The marketing authorization application for endometriosis was accepted in August 2023 and approved in September 2024. Clinical trials for the indication of precocious puberty in children began in 2024, and by the end of 2024, 70% of the planned clinical enrollment had been completed.

Market-demanded generic medicine – Lurasidone Hydrochloride Tablets

In November 2024, the Company's Lurasidone Hydrochloride Tablets were granted the launch approval. Researchers conducted comprehensive pharmaceutical comparison and bioequivalence studies between the self-produced product and the reference preparations through scientific research breakthroughs and repeated trials to ensure the product's safety and efficacy for clinical use.

Lurasidone is a novel atypical antipsychotic medicine that acts as an antagonist with high affinity for dopamine D2 receptors and 5-hydroxytryptamine (5-HT) receptors 5-HT2A and 5-HT7. It is approved in China for the treatment of schizophrenia. Lurasidone has weak extrapyramidal symptoms and is less likely to cause adverse reactions such as weight gain, hyperlipidemia, and hyperprolactinemia, making it well-tolerated.

6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

Clinical needs oriented *(continued)*

In the field of biologics, LivzonBio, a subsidiary of the Company, specializes in the independent research and development and industrialization of the world's leading innovative macromolecular medicines. It has developed novel biologics in the fields of autoimmune diseases, oncology, reproduction, the prevention of severe infectious diseases, etc., and has a variety of product pipelines for research and development, including novel vaccines, monoclonal antibodies, recombinant protein medicines, etc., to meet various unmet clinical needs and continuously improve patients' quality of life. In 2024, project B-01 in the assisted reproduction field completed phase III clinical trials, and the LZM012 in the auto-immunity field completed phase III clinical enrollment, with expected market launch within the next 2-3 years. Livzon has made a leapfrog breakthrough in the field of biologics, and its product research and development 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 research and development, external introduction and strategic alliances, focus on promoting projects on which it has advantages based on the existing varieties in the pipeline, continue new medicine development across the globe, expand cutting-edge product mix of differentiated treatment and combination therapy, improve the technology platforms of antibodies and protein medicines, and enhance its capability of product commercialization.

Product under research and development – Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection ("LZM012")

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

Currently, only one imported IL-17A/F targeting medicine has been approved for market launch in China and the world, and LZM012 is the first IL-17A/F candidate medicine in China.

In August 2023, LZM012 officially initiated phase III clinical trials for the psoriasis indication, becoming the first medicine in China to commence head-to-head clinical studies against secukinumab ("Cosentyx"). As at the end of the Year, all subjects had been enrolled. Additionally, the ankylosing spondylitis indication, developed by the partner Beijing Xinkanghe Biomedical Technology Co., Ltd., officially started phase III clinical trials in September 2023, and the first analysis was announced in December 2024 to reach the primary efficacy endpoint of the trial.

6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Biosimilar under research – Recombinant Human Follitropin Alfa Solution for Injection ("B-01")

B-01 is a biosimilar developed with Gonal-f® (original product manufacturer: Merck Serono) as the reference medicine. Its active ingredient is consistent with that of Gonal-f, both being recombinant human follicle-stimulating hormone (r-hFSH) expressed in CHO cells, primarily indicated for infertility. The project has completed pharmaceutical, non-clinical, and clinical similarity studies. The study results show that its pharmaceutical properties are highly similar, with consistent non-clinical pharmacokinetics (PK) and safety profiles. Clinical PK and efficacy both demonstrate good equivalence.

LivzonBio's B-01 shares identical active ingredients, specifications, and excipients with the original product Gonal-f's pen injector. B-01 also uses a novel pre-filled pen injector for easier administration, allowing for accurate medication dosage and adjustable dosage. Compared to traditional syringes, pen injector products typically have finer needles, resulting in significantly less pain during injection, which can enhance patient compliance.

In the field of diagnostic reagents and equipment, Livzon Diagnostics, a subsidiary of the Company, has transitioned to independent innovation, developing raw materials, reagents and equipment in a completely independent manner. Based on several powerful independent research and development technology platforms, it strategically focuses on autoimmune diseases, respiratory diseases, and severe infectious diseases.

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

- There is a rapid growth in the diagnosis and treatment of autoimmune diseases every year, but the diagnosis system in the domestic market is characterized by a low degree of automation and inconsistent standards. To solve this problem in the market, we created a global pioneering technology platform – the fully-automatic multiple immune analyzer method – by transforming a technology platform from manual to automatic through technological breakthrough, independently achieving the ground-breaking industrialization of diagnostic reagents.

  This pioneering 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. In 2024, Livzon Diagnostics deeply integrated the fully-automatic multiple immune analyzer with chemiluminescence immunoassays to complete most autoimmune antibody tests on a single device. There is also potential to further integrate indirect immunofluorescence technology, significantly improving the efficiency of laboratory autoimmune diagnostics and allowing technological breakthrough to benefit patients more widely and promptly.

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

6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

Clinical needs oriented *(continued)*

Product under research and development – Diagnostic Kit for Anti-MDA5 Antibodies

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

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

Currently, the clinical trials for Livzon Diagnostics' Diagnostic Kit for Anti-MDA5 Antibodies have been completed and the kit is expected to be approved in 2025.

Product under research and development – Diagnostic Kit for Autoimmune Encephalitis-Related Autoantibodies

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

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

6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

Clinical needs oriented *(continued)*

AI-enabled research and development and intelligence-driven innovation

Livzon has deeply integrated artificial intelligence (AI) technology into clinical operations management, successfully overcoming a series of critical challenges. To cope with the problem of impurity growth, AI technology also played a key role. During the research and development process of a particular project, the problem of impurity growth once placed great pressure on the research and development team. Through in-depth analysis using AI technology, the team swiftly identified the root cause and proposed a solution of changing the packaging form, thereby significantly shortening the experimental cycle and effectively controlling costs.

Furthermore, in excipient substitution, AI technology demonstrated its unique advantages. During the research and development process of a particular project, the problem of impurity growth similarly posed a challenge to the research and development team. Through in-depth analysis using AI technology, the team swiftly identified the root cause and proposed replacing capsule polymer with copper-based excipients, resulting in effective control of stability impurities and markedly improved product quality. Also, in the process of patient enrollment review, AI greatly improved review accuracy by developing patient profiles and conducting interactive training, saving substantial human resources and further boosting the efficiency of clinical research.

These results fully demonstrate Livzon's remarkable achievements in AI technology application, laying a solid foundation for the Company's future sustained breakthrough and development.

Opportunities brought by AI to pharmaceutical research and development

Livzon actively adopts AI technology to enhance research and development efficiency and quality and comprehensively broaden its diversified application scenarios across the entire pharmaceutical research and development process, covering critical stages including disease target identification, medicine discovery and new medicine design, synthesis planning, and formulation design.

Leveraging its professional AI medicine development platform, the Company made phased achievements during the Reporting Period: In the early stages of pharmaceutical research and development, the Company utilized the AI platform's precise process to efficiently predict physicochemical properties and stability correlations of input molecules and predict storage shelf life based on short-term stability data. Meanwhile, AI-based novel molecular route design provided fresh ideas for exploring chemical synthesis pathways and process development, empowering the researcher team to identify more promising and potential synthetic routes with greater precision from so many possibilities. The application of AI has effectively improved research and development efficiency and quality, injected robust momentum into research and development endeavors, and promoted pioneering research and development with greater quality and efficiency.

6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

External collaboration

In addition to independent research and development, Livzon actively collaborates with various partners and constantly explores various forms of partnership so as to realize mutual benefit and win-win situation by virtue of resource integration and complementary advantages.

Focusing on key research and development projects in the fields of gastroenterology, psychiatry, assisted reproduction, anti-tumor, anti-infection, etc., the Group has established close cooperation with renowned universities, research institutes, and medical institutions in China on aspects of academic research and communication, technology exchange and pharmaceutical research and development. The Group has also entered into strategic collaborations with top-notch enterprises at home and abroad. These collaborations jointly promote scientific research innovation and the commercialization of technological accomplishment, elevate and enrich our research and development technology and research and development fields, and provide more possibilities for Livzon's commercialization in the future.

External collaboration project – NS-041

In July 2024, the Company entered into a Patent Licensing and Technology Transfer Agreement (the "Agreement") with NeuShen Therapeutics (Shanghai) Co., Ltd. ("NeuShen Therapeutics"). Under the Agreement, Livzon exclusively obtains all rights and interests in NS-041 within the Greater China region (including China's mainland, Hong Kong, Macao, and Taiwan). At the same time, NeuShen Therapeutics will retain leadership in the development and commercialization of NS-041 in other global regions. The Company is required to pay NeuShen Therapeutics the corresponding patent and technology transfer fees (including upfront payment, development milestone payments) and sales royalties.

NS-041 is a highly selective KCNQ2/3 activator developed by NeuShen Therapeutics. As a new chemical medicine of class 1, it targets neuropsychiatric disorders such as epilepsy and depression. Approved by the National Medical Products Administration (NMPA) in March 2024 to initiate clinical trials, its first clinical trial indication is intended for focal epilepsy, and it is currently in the clinical trial phase.

Livzon, with many years of expertise in the field of psychoneurosis, remains committed to the development of novel psychiatric and neurological medicines. Leveraging its advantages in research and development and clinical advancement in this field, Livzon will actively promote the commercialization of this product. The introduction of the NS-041 project will strengthen the Company's advantages in the field of psychoneurosis, aligning with the Company's strategic plan of medium to long-term pioneering development.

6.1 RESEARCH AND DEVELOPMENT INNOVATION *(continued)*

External collaboration *(continued)*

External collaboration project – Development of generic medicine for Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution

In 2024, Pharmaceutical Factory, a subsidiary of the Company, was granted approval for the project of Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution. This project was co-developed by Pharmaceutical Factory and the external enterprise Beijing Minkang Baicao Pharmaceutical Technology Co., Ltd. Pharmaceutical Factory conducted scale-up studies and process validation, prepared regulatory submissions, and coordinated supplementary studies during the approval process until obtaining the manufacturing license.

The implementation of this project offers a scientific and reasonable technological route for the development and production of similar formulations in the same field. The project has effectively bolstered the enterprises' capabilities in research, production, clinical trials, and market evolution. Moreover, this collaboration has further enhanced the enterprise-institute collaboration system, providing a valuable foundation for future technological advancements and product development.

6.2 PRODUCT ACCESSIBILITY

Livzon's products include drug preparations, APIs and intermediates, as well as diagnostic reagents and equipment, covering various treatment fields such as gastroenterology, assisted reproduction, psychiatry, anti-tumor, etc., and has formed a relatively complete and diverse product profile. We pursue registration and sales of our proprietary drug and generics in emerging markets and developing countries.

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

During the Year, the Group continued to provide high-quality pharmaceutical products and services to many countries and regions, and our income from overseas principal businesses amounted to RMB1,723.61 million, accounting for 14.73% of income from principal businesses, with a compound growth rate of nearly 6.92% in the past five years.

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 regulated markets such as the United States and Europe. The Group has newly developed business in Eurasian Economic Union (EAEU) member states and African markets.

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

In terms of market access, we always adhere to the principle of prioritizing registration. Our extensive registration experience in European and North American markets has laid the foundation for the reputation of Livzon's APIs in the international market for high quality. Meanwhile, we continue to widen registration markets, strive for completeness of registration documents, respond swiftly and accurately to official requirements, and work hand in hand with preparation customers to accelerate registration progress. In 2024, the Company successfully passed the GMP on-site inspection by Brazil's ANVISA with zero defects, accelerating the registration of its human-use APIs in Brazil.

In order to explore international markets, we have set up overseas offices in Europe, South America, the Middle East, and Southeast Asia to develop markets, maintain customers, enhance the communication and negotiation of new projects, strengthen promotion of new products, and enhance the Company's brand awareness and product market share. In 2024, our sales team actively participated in the CPhI Worldwide, while actively visiting customers to gain in-depth understanding of their needs; overseas colleagues also increased the frequency of visiting local customers and attending regional exhibitions to continuously develop new customers.

As at the end of the Reporting Period, a total of 34 APIs and intermediate products of the Group had completed 202 international registrations in 94 overseas countries/regions; the Group obtained 32 certificates for international certification for its API and intermediate varieties, including: 6 certificates for FDA on-site inspections, 16 CEP certificates, 1 EU GMP certificate, 4 Japanese GMP certificates, 1 Mexican GMP certificate, and 4 Brazilian GMP certificates. Moreover, as at the end of the Reporting Period, the Group completed registrations in China for a total of 52 API products.

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.

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. The Moxidectin product is mainly used for treatment of patients with river blindness in Africa and certain Latin American countries, with the medication covering the whole population (including healthy people).

In December 2024, MDGH obtained marketing authorization for river blindness (for adults and children over 4 years of age) from Ghana's FDA, with phased administration in Ghana to follow. Meanwhile, MDGH continues phase II clinical studies for additional indications including scabies, soil-transmitted helminthiasis, and strongyloidiasis.

Drug preparation business

For the drug preparation business, Livzon continues to deeply explore markets outside China's mainland, including the countries and regions in South Asia, Southeast Asia, Central Asia, Latin America, and Africa, such as Pakistan, the Philippines, Thailand, Indonesia, Malaysia, Vietnam, Brazil, Chile, Russia, Uzbekistan, Kenya, and Hong Kong and Macao of China. Meanwhile, we evaluate and select products with higher market potential overseas and strengthen their registration to continuously cater for the needs of international markets.

To align with diverse market characteristics, Livzon has developed differentiated development strategies. We rely on the existing products of the Group that meet the requirements of local registration regulations and meet local medication need in growing markets which mainly include Southeast Asia, South Asia, Latin America, and other regions, so as to initiate GMP inspection work and submission of regulatory dossiers in CTD format and obtain market approval. In view of the strict regulatory requirements and the high cost of early development in regulated markets which mainly include Europe and the United States and South Korea, we promote the existing featured high-barrier complex preparations to acquire high-end preparation certification in Europe and the United States, based on international multi-center clinical trial and declaration, so as to seize the opportunity to enter into the regulated markets.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

In 2024, Livzon's drug preparation business secured approvals for 6 products and submitted new applications for registration of 8 products in overseas markets, completed 1 GMP on-site inspection in PIC members, filed 3 GMP applications in other countries, and signed 15 new overseas registration or business cooperation agreements for preparations. It is planned that over the next five years, 79 new overseas registration or business cooperation agreements are signed for preparations in 22 more countries/regions, 90 overseas registrations are submitted, and 60 are approved; we plan to select 4 products from generic research and development products to list as international goal and reserve products, and, in alignment with the Company's research and development direction and enlarging product pipeline, to further explore more products for internationalization.

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

Preparation entry into the U.S. market – Cetrorelix Acetate for Injection approved and marketed in the U.S.

In April 2024, the Company received an ANDA approval notice from the U.S. Food and Drug Administration for its self-developed Cetrorelix Acetate for Injection, authorizing its market launch in the U.S. The approval of Livzon's Cetrorelix Acetate for Injection for market launch in the U.S. certifies the Company's qualification to market the product as a pharmaceutical product in the U.S. and will have a positive impact on the Company's expansion into overseas markets.

U.S. market launch demonstrates the medicine's compliance with rigorous regulatory scrutiny and validates its authority in terms of safety and efficacy, which provides an important reference for other countries and regions to introduce the medicine. In addition, with the enhancement of production capability and the growth of the market scale, the cost of the medicine is expected to gradually decrease, making the medicine affordable to more resource-constrained countries and regions and enabling broader patient access to effective treatment, thereby further improving the level of global public health.

Broaden the layout of biologics – Tocilizumab Injection promotes overseas collaboration in Brazil, the largest market in Latin America

As one of the world's major emerging pharmaceutical markets, Brazil has a broad market space. Brazil accounts for more than half of the entire Latin American pharmaceutical market. Brazil's drug regulatory environment leads Latin America, with ANVISA (the Brazilian Health Regulatory Agency) leading the region in terms of drug review and approval and regulatory criteria. The Company has successfully partnered with a global leader in preparation internationalization to register Tocilizumab Injection in Brazil, and has laid a solid foundation for the promotion and widespread use of the Company's biologics across Latin America.

6.2 PRODUCT ACCESSIBILITY *(continued)*

Drug preparation business *(continued)*

Exploring local production overseas

The South Asian pharmaceutical market stands out as one of the fastest-growing regions, with Bangladesh emerging as a leader and a perceived up-and-coming hub for generics in the region.

Following the signing of a Memorandum of Understanding for strategic partnership and local production collaborations on biologics with a leading reproductive product company in Bangladesh in 2023, Livzon entered into a formal cooperation agreement in 2024, under which Recombinant Human Choriogonadotropin alfa for Injection will be introduced into the country through local production, which has already started, and strategic collaborations on local production will be initiated. If things continue favorably in the future, the Recombinant Human Choriogonadotropin alfa for Injection will fill a void in this product category in Bangladesh and offer an enhanced treatment option for local patients in need of reproductive assistance.

Diagnostic reagents and equipment business

The demand for autoantibody testing is growing worldwide, and the number of people susceptible to specific autoimmune diseases has exceeded tens of millions. With increasing public health awareness and surging clinical demand, accurate, high-throughput and convenient testing methods have become the key to improving the accessibility of autoantibody testing. In this context, Livzon Diagnostics launched an automatic immunoassay analyzer with supporting test reagents. The device offers high throughput, fast speed and ease of use for testing, providing medical institutions with a solution for autoimmune disease testing and contributing to tackling the challenge of autoimmune diseases.

For respiratory disease testing, Livzon Diagnostics continued to distribute and improve other testing products in the field of respiratory testing. During the Reporting Period, it improved 4 rapid antibody testing products for Mycoplasma pneumoniae and Chlamydia pneumoniae, and launched a high-throughput chemiluminescence testing product for pneumoniae and Chlamydia pneumoniae, as well as a rapid influenza antigen screening product.

For autoimmune disease testing, Livzon Diagnostics launched an integrated, intelligent automatic immunoassay analyzer with one-stop operation which enhances ease of use in laboratory testing of products. With the launch of these products, medical institutions have broader supplier options and more streamlined laboratory operation solutions.

6.3 AFFORDABILITY AND FAIR PRICING

Livzon has always maintained a highly responsible attitude toward patients and focused on delivering high-quality and affordable medications to patients. Livzon takes full account of the differences in regional economic development when setting the price of its products, and is committed to making the medicines needed affordable for more patients.

Domestic market

In late 2024, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security published the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) (the "Medical Insurance Catalogue"). A total of 191 products of the Group are included in the Medical Insurance Catalogue, with 92 products in the Class A list and 99 products in the Class B list.

In active response to the national polices of the reform of the medical and health system, we further reduced medicine prices in the process of medicine bidding, procurement and access, to alleviate the financial pressure of patients and the pressure on the payment of medical insurance funds and contribute to the development of a more fair, efficient, and sustainable medical security system.

All products marketed by the Group are tendered according to provincial bidding policies, mainly classified into two forms: Sunshine Online Procurement and Volume-based Procurement. In Sunshine Online Procurement, the declared access prices are based on the attributes of the product, referring to the original product price, median price, and lowest price of products with the same generic name. These prices are reviewed and publicly announced by the National Healthcare Security Administration before they take effect, while Volume-based Procurement involves competitive bidding based on product selection rules. Livzon actively participates in centralized volume-based procurement projects conducted at various levels in China's mainland, and has a total of 8 specifications selected in 2024.

Use of domestic instead of imported product – Aripiprazole Microspheres for Injection

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

The Aripiprazole Microspheres for Injection developed by Livzon Microsphere is a modified new medicine and is not subject to the patent restrictions of the original product. Scheduled for launch approval in April 2025, this product will provide patients with a domestic dosage form for long-acting treatment.

6.3 AFFORDABILITY AND FAIR PRICING *(continued)*

Overseas market

In the development and layout of overseas markets, Livzon sets reasonable and favorable prices for its products by fully considering local economic development, GDP, local medicine production and supply, per capita income, product pricing of peers, medical system condition, and other socioeconomic factors. The Company actively participates in local government biddings, striving to reduce the burden of medication for local patients.

As at the end of the Reporting Period, the Group had adopted equitable pricing policy for a total of 28 APIs and preparations based on local income levels in the sales process in South Asia, Southeast Asia, Eastern Europe, Central Asia, South America, and Africa.

Livzon adheres to a relatively transparent and consistent pricing policy. Preparations comply with the local government's medical pricing policies in developing countries. The overall market prices of APIs are relatively transparent, and customers are familiar with and understand the price level, and market sales mainly focused on end preparation factories to reduce intermediate channels and lower the cost of local medicine supplies.

Business segment	Equitable pricing policies	Progress
API	• Livzon continues to reduce the production costs of APIs and sells APIs and intermediates in emerging markets/developing countries at prices lower than those in developed countries to reduce the cost of medicines in target market countries; • Livzon's sales pricing in domestic markets follows the principle of fairness. For domestic strategic cooperation partners, we offer certain price discounts according to the purchase volume by signing annual supply agreements.	• Livzon has commercial cooperation with about more than 50 customers in India, offering 20 kinds of APIs and intermediates. Among them, the prices of intermediates are about 5%-10% lower than those of the developed countries, while the prices of APIs are about 20%-30% lower than those of the developed countries; • Certain high-end antibiotic products are in a relatively large demand in overseas markets, and the average selling price of Livzon in South America, Southeast Asia, and Africa that is about 15%-30% lower than the price of developed countries.

6.3 AFFORDABILITY AND FAIR PRICING *(continued)*

Overseas market *(continued)*

Business segment	Equitable pricing policies	Progress
Drug preparation	• Livzon provides the Asian, Africa and Latin America markets with preparations that are cheaper than the proprietary preparations and obtain similar therapeutic effects; • Livzon formulates reasonable prices in line with local development levels. Livzon waives the market licensing fee of its products in underdeveloped and impoverished countries due to social responsibility.	• For South Asia, Southeast Asia, Eastern Europe, Central Asia, South America, and Africa, Livzon has provided or formulated pricing policies for preparations that are cheaper than the proprietary preparations and obtain similar therapeutic effects; • For the biological product Recombinant Human Choriogonadotropin alfa for Injection, Livzon waived the market licensing fee for its cooperative customers in 4 countries in West Africa, South Asia and Southeast Asia; • For the biological product Tocilizumab Injection, Livzon waived the market licensing fee in 3 countries in Southeast Asia, Eastern Europe, and Central Asia; • For proprietary new drug Ilaprazole Sodium for Injection, Livzon waived the market licensing fee for its customers in 2 Southeast Asian countries and 1 African country.
Reagents	• Livzon conducts thorough research on the terminal selling prices of its products, ensuring that the sales prices are not only fair but also competitive; • Livzon formulates more preferential prices in underdeveloped and impoverished countries.	• Actively inquire several transportation companies to seek the freight service with the best quotations, so as to provide customers with the transportation mode that features the lowest cost and the highest cost-effectiveness for their selection.

6.3 AFFORDABILITY AND FAIR PRICING *(continued)*

Overseas market *(continued)*

Some high-end antibiotic sterile APIs verified for production and commercialization to improve the affordability of APIs

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

To change this market situation, Livzon built a lyophilized production line for high-end antibiotic sterile APIs in 2024. Currently, it has successfully initiated validation production of sterile Teicoplanin and realized commercial sales of sterile Colistimethate Sodium in South American markets.

6.4 ENHANCEMENT OF HEALTH CARE

Amid the prosperity of the global medical and health industry, Livzon accelerates its international layout with a forward-looking strategy. Through innovation and cooperation, Livzon has built a breakthrough global partnership network, joined hands with domestic and overseas pharmaceutical peers, and engaged in deep cooperation with international partners to contribute to the enhancement of medical quality.

6.4 ENHANCEMENT OF HEALTH CARE *(continued)*

Training of medical staff

As more products enter overseas markets, the Group, in collaboration with local partners, actively provides training for medical staff to help promote the medical services quality in developing countries and fulfil its social responsibilities.

Case

- In March 2024, Livzon Diagnostics communicated with a well-known Grade A tertiary hospital in China on the basic knowledge, latest diagnostic technology, product technical principle, operation process, and clinical application cases of autoimmune diseases in the laboratory in response to the experiments and interpretation questions of the hospital in the detection of autoimmune diseases, and obtained a positive evaluation.

- After Livzon's biological product Recombinant Human Choriogonadotropin alfa for Injection was launched in Indonesia in 2023, we conducted 4 academic seminaring and exchange events in collaboration with local partners in Indonesia during the Year. In August 2024, Livzon and its partners attended the 9th Indonesian Fertility and Endocrinology Association Biennial Scientific Meeting in Semarang. The meeting was attended by around 500 Indonesian fertility specialists. At the meeting, Livzon and its partners jointly invited famous Chinese fertility specialists to present on Recombinant Human Choriogonadotropin alfa and share their experience in clinical use, which received positive feedback from Indonesian fertility specialists.

6.4 ENHANCEMENT OF HEALTH CARE *(continued)*

Enhancing the manufacturing capability of preparation customers

As an API supplier, Livzon has actively shared research results and transferred technologies to overseas underdeveloped countries and regions and helped preparation customers enhance their manufacturing capability so as to facilitate the successful launch of their products in the regulated markets such as Europe and North America and enhance their competitiveness.

Case

Due to concerns regarding genotoxicity, the FDA first introduced guidelines for nitrosamine impurities in 2023, followed by similar regulatory requirements from authorities in Europe, Brazil, and other regions. In response, Fuzhou Fuxing has actively cooperated with these regulations by conducting risk assessment reports for several varieties of high-end antibiotics. For varieties identified with risks, Fuzhou Fuxing has further developed analytical methods to comprehensively examine potential points of nitrosamine impurity formation during production. It has implemented strict control during production and actively collaborated with preparation customers to study and control impurity levels in preparations. It strives to obtain exemption from inspection, thereby further ensuring the safety of medication use for patients.

Drug supply chain management

As a dedicated player in the pharmaceutical industry, we continuously optimize supply chain management, strictly adhere to regulations, and build an efficient supply chain system. This helps enhance our partners' capabilities in product transportation and storage, thereby providing high-quality medicines to patients worldwide while safeguarding pharmaceutical quality and safety.

Abroad, we collaborate with local partners to disseminate knowledge on how to use, transport and store products in advance, imparting professional pharmaceutical knowledge to local distributors, thus strengthening the management and optimization of the local supply chain.

For the packaging and temperature monitoring of temperature-controlled products, we adapt to the local climatic conditions by employing regulatory-compliant specialized packaging materials. 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 advanced the temperature control conditions for medicine supply. We carefully differentiate between the varying transportation requirements for raw materials. Meanwhile, through a comprehensive study of our transportation plans, we provided customers with the optimal plans to avoid poor freight transport caused by international instability, ensure stable and secure supply, and effectively help customers save transportation costs.

6.5 SUPPORT FOR POST-MARKET PHARMACOVIGILANCE

In developing countries as late starters in pharmacovigilance ("PV") work, PV progress has been much slow, with many pressing issues yet to be resolved. Therefore, the support of Livzon as a pharmaceutical enterprise for the establishment of a complete post-market pharmacovigilance system in developing countries is an important part of its responsibility.

Regarding Livzon's Recombinant Human Choriogonadotropin alfa for Injection marketed in Indonesia, we have actively collaborated with local companies and the government to enhance the local level of post-market pharmacovigilance. After the product was marketed, we conducted research and activities to discover, evaluate, understand and prevent adverse reactions or any other possible drug-related problems. We aimed to ensure the scientific and reasonable clinical use of the product after its launch and guarantee the safety of clinical medication. Consequently, we have aided Indonesia's post-market pharmacovigilance enhancement, protected the local public from substandard or non-compliant drugs, and promoted the sustainable development of local medical system.

6.6 INVESTMENT IN 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 leveraged on its scientific research system and capabilities and actively cooperated with the state to establish a two-way mechanism for research and development of medicines for rare diseases, in an effort to help promote the clinical status of rare diseases in China and strive to make high-quality, new medicines available and affordable to patients with rare diseases.

Malignant hyperthermia

Malignant hyperthermia, a rare disease, is an inheritable myopathy, with extremely high mortality rates once developed, while dantrolene sodium is the only specialized medicine for treatment. Due to its research and development difficulty, small patient population, and thin profit margins, there has been no enterprise in China for the development and production 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, 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 medicine available for use and solving the problem of clinical medicine shortages in China. Over the years, our project "Establishment, Promotion and Application of Malignant Hyperthermia Diagnosis, Treatment and Rescue 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.

[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 RARE DISEASES *(continued)*

Systemic Juvenile Idiopathic Arthritis (sJIA)

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

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

6.7 RATIONAL USE OF DRUGS

Livzon has recognized 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 antibacterial medicines, especially hospital-acquired infections caused by certain multi-drug resistant and pan-drug resistant bacteria and fungi, making clinical treatment even more difficult.

In order to solve the problem of resistance to antibiotics and other antimicrobials, Livzon has actively taken measures from four aspects: pharmaceutical research and development, clinical use of antibiotics, pharmacovigilance and industry communication, and was committed to preventing the spread of global antibiotic tolerance.

Research and development in response to 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 medicines on the market, namely polyenes, azoles and echinocandins. After years of clinical application, antifungal tolerance has become more and more serious, leading to a very limited number of clinical applicable medicines.

In 2024, Livzon introduced SG1001, a new class 1 antifungal medicine, and secured exclusive rights to develop, produce and commercialize SG1001 for all developable dosage forms and indications for antifungal and other therapeutic fields in Greater China. SG1001 is an inhibitor that selectively targets fungal dihydroorotate dehydrogenase (DHODH) and has demonstrated significant antibacterial activity against Aspergillus (including Aspergillus fumigatus), Scedosporium, penicillium, trichoderma, and Talaromyces marneffei. The project has now entered the clinical phase.

6.7 RATIONAL USE OF DRUGS *(continued)*

Marketed product – Treatment for acute bacterial skin infections

In October 2024, the Company's Tedizolid Phosphate for Injection received market approval for the treatment of acute bacterial skin and skin soft tissue infections caused by susceptible strains of Gram-positive bacteria.

While a variety of antibacterial medicines are available domestically for the treatment of skin and soft tissue infections, the number of antibacterial medicines for the treatment of skin and soft tissue infections caused by MRSA (Methicillin-resistant Staphylococcus aureus) remains highly limited.

Tedizolid phosphate, a new oxazolidinone prodrug antibiotic, provides a new therapeutic option for clinical treatment. Oxazolidinones represent a new class of fully synthetic antimicrobial agents marketed following sulfonamides and quinolones. They have a very wide antibacterial spectrum against gram-positive bacteria and have antibacterial activity against a variety of multi-drug resistant strains. They can be used to treat inflammation, skin soft tissue infections, etc. caused by gram-positive bacteria.

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

Livzon proactively promotes industry communication and contributes to improving the development of anti-infection disciplines. During the Year, we participated in over 10 national-level academic conferences in the field of anti-infection, covering areas such as respiratory infection, deep mycosis infection, and bacterial infection. We invited experts to report on new developments in product research and development and had in-depth communications and exchanges with clinical experts and scholars engaged in microbiological basic research, so as to jointly promote the development of medical technology.

In addition, we organized more than 20 online seminars for sales and marketing personnel on topics such as "Common interpretation of Chinese experts on the clinical application dose of Vancomycin" and "Guideline on personalized use of Voriconazole". These seminars were aimed at bolstering the product knowledge of internal employees and enhancing their understanding of the reasonable use of antimicrobial products of Livzon.

7

PRODUCT RESPONSIBILITY

Product quality not only directly affects customer satisfaction and brand reputation, but also relates to the overall performance and social responsibility of an enterprise. Livzon stays committed to the mission of "prioritizing the quality of life of patients", continuously strengthens awareness of legal and compliant operations, and consistently builds and improves its quality management system. The Company takes active quality management actions, fosters a quality culture awareness among all employees, and is committed to delivering the quality values of "being scientific and compliant, improving continuously, pursuing excellence, striving to provide patients with high-quality products" to every customer.

In the context of the accelerating restructuring in the global pharmaceutical industry, the Group's quality management has evolved from basic compliance requirements to the core of the Company's strategic competitive advantage. The Group's deep focus on quality and safety has not only created a competitive moat for its development, but also presents systematic challenges in areas such as cost control, public opinion management, and environmental compliance.

I. ECONOMIC IMPACT

Positive impact:

Enhanced market competitiveness: Product quality and safety constitute the fundamental cornerstone of corporate existence. The Group places great emphasis on product quality and safety, which allows it to gain the trust and recognition of consumers, thereby standing out in fierce market competition and expanding its market share.

Reduced operating costs: With strict quality control and safety management, the Group effectively mitigates quality-related losses including product returns and recalls, thus reducing operating risks and costs for the Company. Meanwhile, good product quality standards enhance manufacturing efficiency, further optimizing the cost structure of the Company.

Improved brand value: High-quality products and strict safety management help shape the Company's brand image and improve its brand awareness and reputation. An improvement in brand value not only attracts more customers and market share for the Company but also, to a certain extent, boosts its bargaining power and increases the added value of its products.

Attracting investment and partnerships: In the current market environment focused on sustainable development, investors and partners are increasingly concerned with an enterprise's quality and safety management levels. The Group's excellent performance in product quality and safety enhances the confidence of investors and partners and attracts more capital and resources, thereby providing strong support for the Company's growth.

I. ECONOMIC IMPACT *(continued)*

Negative impact:

Increased costs: To ensure product quality and safety, the Company needs to invest substantial funds in R&D, equipment upgrades, quality testing, safety facilities, etc. For example, the Group has consistently increased its investment in environmental protection to meet increasingly stringent environmental requirements, which has, to some extent, raised its operating costs.

Market risks: Despite the Group's high product quality, the complex and ever-changing market environment still poses unforeseen risks. For example, fluctuations in raw material prices and changes in policies and regulations may affect the Company's financial performance and operational stability.

II. SOCIAL IMPACT

Positive impact:

Protecting public health: The quality and safety of pharmaceutical products are directly related to public health and safety. Through strict quality control and safety management, the Group ensures that the pharmaceutical products, medical devices, and other products it provides meet national standards and industry regulations, effectively safeguarding public drug safety and making a positive contribution to the social well-being and stability of health.

Improving social trust: The Company's emphasis on product quality and safety reflects its sense of social responsibility, which strengthens public trust in both the enterprise and its products. This trust not only fosters long-term, stable collaborative relationships between the Company and its consumers, but also contributes to the harmonious development of society as a whole.

Promoting employment and talent development: To ensure product quality and safety, the Group needs to recruit and cultivate a large number of professionals. This not only provides employment opportunities for society, but also helps improve the overall professional level and talent quality within the industry.

Promoting industry standard development: As a well-known enterprise in the industry, the Group can serve as a role model for its good practices in product quality and safety. Its advanced management experience and quality control systems can provide reference points for other enterprises, promoting the standardized development of the entire pharmaceutical industry and raising the overall quality and safety standards of the industry.

II. SOCIAL IMPACT *(continued)*

Negative impact:

Public opinion pressure: The pharmaceutical industry is under close public scrutiny, where even isolated incidents related to product quality or safety may trigger widespread societal concern and scrutiny. Such events can put significant public opinion pressure on the Company and impact its public image and reputation.

Public panic: Inadequate management of product quality and safety incidents may precipitate public health concerns and erode consumer confidence. A single pharmaceutical safety event could trigger broader skepticism toward related therapeutic products and potentially undermine trust in the industry ecosystem. Such scenarios risk precipitating market disruptions that could extend to societal implications.

III. ENVIRONMENTAL IMPACT

Positive impact:

Promoting green production: While pursuing product quality and safety, the Group actively practices the concept of green development. By adopting advanced production technologies and equipment and optimizing production processes, the Group reduces energy consumption and pollutant emissions and discharge during production. For example, the Group has invested in the development of energy-saving projects, such as efficient energy-saving equipment upgrade and waste heat recycling systems, effectively reducing energy consumption during production.

Resource recycling: The Company places great emphasis on the recycling of resources by implementing waste classification and recycling and resource recycling systems. This not only reduces waste generation and lowers environmental pollution, but also improves resource utilization efficiency, achieving a win-win situation in both economic and environmental benefits.

Raising industry environmental awareness: The Group's positive actions and good performance in environmental protection can inspire the entire pharmaceutical industry to pay more attention to environmental protection. Its advanced environmental protection philosophy and practical achievements can provide reference and inspiration for other enterprises, driving the entire industry towards green and sustainable development.

Negative impact:

Increased environmental protection costs: To fulfill the requirements for product quality and safety while also meeting environmental protection standards, the Company needs to invest significant funds in building and operating environmental protection facilities. This has increased the Company's operating costs and financial burden.

Environmental risks: Despite the implementation of various environmental protection measures by the Company, potential environmental risks may still exist during production. For example, improper handling of wastewater, waste gas, and solid waste generated during the production of APIs could lead to pollution of the surrounding environment.

The Group's quality management is based on the principles of "risk anticipation and value transformation". To operationalize these principles, we have established a "dual-drive" response system–leveraging technological innovation to alleviate rigid cost pressures and ecosystem collaboration to reconstruct the risk defense network.

7.1 QUALITY MANAGEMENT SYSTEM

Livzon always regards the establishment, improvement, and continuous effective operation of its quality management system as the cornerstone of the Company's development, and ensures the high quality and safety of products through scientific and rigorous management. The Group strictly adheres to relevant laws and regulations such as the Drug Administration Law of the PRC, and continues to implement the main responsibility as an enterprise for quality and safety.

The Group's quality management system complies with industry standards for quality management systems (GLP, GCP, GMP, GSP, and GVP), as well as the latest regulatory requirements of the National Medical Products Administration and other regulatory agencies. It covers all stages of R&D, manufacturing, sales, use, etc. A quality monitoring system covering the entire product life cycle has been established, and advanced testing technologies and equipment have been used to conduct full batch testing of raw materials and finished products to ensure that products meet established quality standards. In 2024, we continued to improve our quality management system and pharmacovigilance system, clarify the quality management responsibilities of each department, and continuously optimize the quality management system and improve the quality management level through regular internal audits and management reviews; during the Year, we established the pharmacovigilance head office at the Group level to strengthen pharmacovigilance work and continuously refine our full-lifecycle quality management model.

➤ Governance

The Company has established a unified Group-wide quality management system in accordance with relevant laws and regulations, such as the Drug Administration Law of the PRC, the Provisions for the Supervision and Administration of Drug Manufacturing, the Provisions for Drug Registration, the Good Clinical Practice, the Good Manufacturing Practice, the Good Supply Practice, the Good Pharmacovigilance Practice, and the Regulations on the Supervision and Administration of Marketing Authorization Holder Implementing Main Responsibility of Drug Quality and Safety. The Group has established a quality management head office responsible for overseeing the quality supervision of all subsidiaries. Through dedicated and specialized auditing and special quality work within the Group, we ensure that all subsidiaries within the Group implement the requirements of a unified quality management system. The Group's quality management system covers both domestic and international certification standards, and the Group has established a complete quality exception response mechanism, forming a closed-loop of "strategy-process-execution" quality framework. We have developed clear product quality strategies, identified and assessed potential impacts, risks, and opportunities, set quantifiable metrics and targets, and continuously improved product quality to meet customer expectations, thereby supporting the Company's sustainable growth initiatives.

➤ Metrics and targets

Livzon always prioritizes quality and safety and sets clear targets: official inspections, including license inspections, GMP compliance inspections, and drug registration inspections, are passed on the first attempt, and the pass rate of government sampling inspections reaches 100%. To achieve these targets, we regularly conduct internal production supervision and inspections, while performing compliance inspections based on the progress of R&D projects; for key R&D or technological improvement projects, we establish specialized teams to conduct multiple special inspections based on project progress and assist subsidiaries in resolving quality management and technical difficulties. In 2024, all our targets were successfully met: official inspections such as license inspections, GMP compliance inspections, and drug registration inspections were passed on the first attempt. The government sampling inspection pass rate remained at 100%.

7.2 QUALITY RISK MANAGEMENT

To adapt to changing market demands and consumer expectations, Livzon always regards product quality as an important part of its corporate sustainability strategy. Adhering to the quality concept of "scientific risk assessment and control as the basis of quality management", the Company has developed a series of management plans and strategies focused on the impacts, risks and opportunities related to product quality. According to external quality management standards and internal management systems such as Administrative Procedures for Quality Risks, the Company conducts quality risk management (QRM) throughout the entire product life cycle such as product R&D, technology transfer, commercial production, product circulation and termination. Risks are reviewed at a minimum frequency of once per year to ensure the safety and compliance of products. This approach, guided by high quality and standards, promotes the steady progress of products towards sustainable development goals.

QRM Policy of Livzon

7.2 QUALITY RISK MANAGEMENT *(continued)*

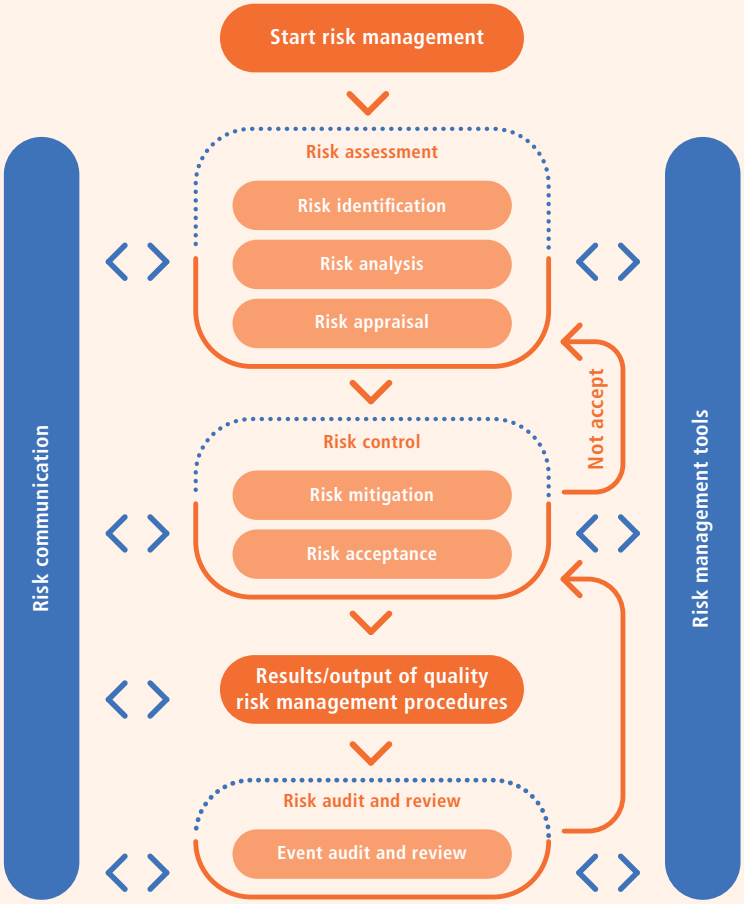
From the perspective of patient safety, we, based on scientific knowledge, strive to properly identify and control the risks of factors involved in the product life cycle, implement dynamic risk management, and rationally allocate resources to achieve continuous risk control and continual improvement.

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 from multiple sources, such as gap analysis of product technology transfer, annual quality assessments of material suppliers, 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:

7.2 QUALITY RISK MANAGEMENT *(continued)*

Quality Risk Management Process of Livzon



7.2 QUALITY RISK MANAGEMENT *(continued)*

Through significant impact assessment and risk management process, Livzon identified and assessed the following quality related risks and opportunities in 2024:

Quality related risks	Expected Time of Risk Occurrence	Probability of Risk Occurrence
Non-compliance risk of sampling inspection: If the product market sampling inspection and government sampling inspection fail to pass, production may be ordered to stop and brand quality image may be damaged.	Long-term	Improbable
Drug safety risk: Major mass safety incidents related to drug use may trigger recalls, substantial compensation, and public opinion issues, which severely affect brand image.	Long-term	Improbable

Quality related opportunities	Expected Time of Opportunity Occurrence	Probability of Opportunity Occurrence
Improvement in drug outer packaging quality: By conducting improvement in drug outer packaging quality, the quality of drug outer packaging is gradually enhanced, and the appearance and material are aligned with the quality of outer packaging of drugs imported from Europe and the United States, so as to boost brand influence, attract a wider customer base, and increase product competitiveness.	Medium-term	Almost certain

Due to the substantial uncertainty in quantifying the above quality related risks and opportunities, the value of related quantitative information is limited. To ensure the accuracy and reliability of the information, the Company did not disclose specific financial data in the Report. The Company plans to further improve the collection and analysis of related data in the next year and will disclose quantitative information accordingly.

➤ Risk response measures

In response to potential emergencies that may arise during the production process, we have established relevant management systems. We organize emergency drills quarterly to ensure the continuity of production and the safety of our employees in the event of an emergency. To reduce the risk of production stoppages due to safety and environmental factors, we have implemented several improvement measures. These include the introduction of efficient and energy-saving regenerative thermal oxidizer (RTO) equipment, the upgrading of transformers to meet higher electricity demand, and the installation of lightning protection facilities, so as to improve the overall level of production safety and ensure the normal production process. In addition, we mandate daily inspections of safety and environmental protection equipment by all departments and organize comprehensive safety and environmental protection assessments on a monthly basis by professionals. We establish a hazard management record and keep track of corrective actions to ensure that hazards are effectively resolved.

7.2 QUALITY RISK MANAGEMENT *(continued)*

➤ Risk response measures *(continued)*

To address the risk of supply disruption of upstream raw materials and auxiliary materials due to factors such as market competition, monopolies, safety, and environmental protection, and to ensure production continuity, we have adopted a dual sourcing strategy. By increasing the number of critical raw material suppliers in different regions, we try our best to make sure that each material has at least 2-3 suppliers to secure stable material supply. In addition, to address the risk of supply disruption of critical raw materials, we have engaged in the research and development ("R&D") of processes for some critical raw materials and reserved in-house production technology to promptly respond to this risk.

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

7.3 R&D QUALITY MANAGEMENT

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

7.3.1 Quality management of pharmaceutical R&D

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

Each of the Group's R&D centers conducts process reviews and compliance self-inspections at key points in pharmaceutical development of R&D projects (such as process project establishment, process research, process pilot production, verification and registration batches, and IND/NDA submissions) to make pharmaceutical R&D work more scientific, rational, and compliant. The quality head office of the Group conducts special audits or key stage audits based on the importance level of R&D projects. During the Year, the quality management head office of the Company conducted 16 audits on drug preparation projects under R&D. Based on the requirements of API R&D management and technology transfer documents, the Group's API enterprises conducted 2 self-inspections on the R&D sites for the variety of Semaglutide. The new variety JP-1366 of API enterprises underwent 1 internal audit by the quality management head office of the Company. The API enterprises conducted 1 on-site audit on the entrusted research units within the Group.

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

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

7.3 R&D QUALITY MANAGEMENT *(continued)*

7.3.1 Quality management of pharmaceutical R&D *(continued)*

The Company also implements systematic quality control for the design and development of medical devices. We ensure product safety and quality stability by establishing a sound design control process, including clear product project establishment, design planning, design input, design output, design conversion, design verification, design validation, and a medical device risk management system based on ISO 14971 applied to the whole process of product R&D.

During the Year, the Company conducted audits on the compliance requirements of the R&D process of medical device products by stages according to the project progress, and conducted a total of 14 audits in 2024.

Case: Registration on-site simulation inspections of new products

To ensure that the three new products of Xinbeijiang Pharma, R&D center of traditional Chinese medicine business department, Livzon Pharmaceutical Factory, and Livzon MAB passed registration reviews successfully, the Company organized key business employees from the quality module of each manufacturing subsidiary to form a professional steering group to conduct comprehensive registration on-site simulation inspections. During the inspection process, the steering group focused on the latest developments in new drug R&D, took a data-centric approach, and employed interactive inspections, item-by-item checks, and other inspection methods. The work strictly followed the requirements for drug registration R&D on-site inspections and drug registration manufacturing on-site inspections. The inspection work was based on clear goals and well-defined responsibilities, and strictly complied with the relevant requirements for drug registration R&D and manufacturing on-site inspections to ensure successful registration inspections.

7.3 R&D QUALITY MANAGEMENT *(continued)*

7.3.2 Quality management of clinical trial

The establishment of a sound clinical trial quality management system is an important cornerstone for the Company to ensure scientific research quality. During the Reporting Period, all R&D units of the Group, in strict compliance with the documents of the clinical trial quality management system, enhanced the quality control of clinical trials, improved the ability to manage potential risks, conducted clinical trials properly, and ensured that the Group's clinical trials complied with the requirements of relevant laws and regulations to guarantee the safety of subjects and the reliability of test data.

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 quality control and process management of clinical trial projects, the clinical research quality management team coordinates the development of quality risk management plans for each R&D project. By implementing inspection and audit management measures, we can determine the times and frequency of performing audits according to the characteristics of projects, promptly identify potential risks, and complete correction within the specified time, so as to ensure that projects remain compliant and meet industry standards.

For drug clinical trials, the quality management head office of the Company formulates scientific and detailed audit plans 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 audits at different stages and strengthens supervision throughout the entire process of drug clinical trials to ensure compliance with relevant laws and regulations, proactively identify potential project problems and prevent recurrence of problems, protect the rights and interests and safety of subjects, and ensure the truthfulness, accuracy, and completeness of clinical data. The production of the Group's API enterprises strictly complies with related regulatory requirements. They guarantee the truthfulness, accuracy, completeness, and traceability of information throughout the clinical trial process.

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

As at the end of the Reporting Period, in accordance with the existing annual audit plan, the quality management head office of the Company conducted 37 audits on 8 clinical trial projects of the Group, which involved 33 clinical trial institutions and 3 biological sample analysis units. As a sponsor, the Group achieved quality supervision and management throughout the process of clinical trials by audits, thereby further ensuring the quality of clinical trials and continuously preventing and controlling compliance risks.

[3] cQMS is Clinical Quality Management System.

7.3 R&D QUALITY MANAGEMENT *(continued)*

7.3.3 External regulation

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

Type of product	Inspections by external regulatory agencies accepted by the R&D centers of the Group in 2024
Drug preparation	• 2 varieties passed the registration inspection (pharmaceutical R&D and manufacturing site) • 2 varieties passed the registration inspection (clinical trials) • 2 varieties confirmed exemption from registration inspection (pharmaceutical development and manufacturing site)
In vitro diagnostic reagent	• 3 on-site inspections of registration of medical devices
API	• The variety of Semaglutide Injection (affiliated with the API business department) passed the registration on-site inspection initiated by the Center for Food and Drug Inspection of NMPA, with participation from the provincial and city-level administrations in Guangdong Province.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING

For quality management of product manufacturing after market launch, Livzon has established a quality management system for the Group's manufacturing in strict accordance with the standards of the Chinese GMP and international requirements to ensure that all manufacturing enterprises strictly implement the system and meet quality control standards. All of the Group's manufacturing enterprises are 100% committed to promoting the full implementation of the quality 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 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.1 Registration and certification

As at 31 December 2024, 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 2024
International registration		31 registration projects were completed in 11 countries/regions for 17 specifications of products
Domestic registration		162 products were registered domestically
International certification	Internationally certified varieties	3 varieties obtained international certification
	Internationally recognized certificates	3 internationally recognized certificates within the validity period were obtained
GMP compliance status of production lines		A total of 58 production lines were GMP compliant

Item		Work of APIs in 2024
International registration		202 registration projects were completed in 94 countries/regions for 34 products
Domestic registration		60 products were registered domestically
International certification	Internationally certified varieties	15 varieties obtained international certification for on-site inspections
	Internationally recognized certificates	32 internationally recognized certificates were obtained (including:6 certificates for FDA on-site inspections, 16 CEP certificates, 1 EU GMP certificate, 4 Japanese GMP certificates, 1 Mexican GMP certificate, and 4 Brazilian GMP certificates)
GMP compliance status of production lines		A total of 71 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 • 1 enterprise was certified to ISO 22000:2018 Food Safety Management System

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 in vitro diagnostic reagents in 2024
International registration		27 registration projects were completed in 40 countries/regions for 27 products
Domestic registration		169 products were registered domestically (7 drugs with 9 certificates, 162 medical devices)
International certification	Internationally certified varieties	10 varieties obtained international certification
	Internationally recognized certificates	8 internationally recognized certificates within the validity period were obtained
GMP compliance status of production lines		A total of 2 production lines were GMP compliant
ISO quality management system certification		1 enterprise was certified to ISO 13485:2016 Quality Management System for Medical Devices

7.4.2 External regulatory inspections

Livzon has 7 drug preparation enterprises, 5 API enterprises and 1 in vitro diagnostic reagent enterprise. In 2024, Livzon accepted a total of 57 inspections from external regulatory agencies and there were no serious defects.

Inspections by External Regulatory Agencies Accepted by Livzon

Type of enterprise	Inspections by external regulatory agencies accepted by the Group in 2024
Drug preparation manufacturing enterprises	Drug preparation enterprises accepted a total of 28 inspections from drug regulatory agencies. All inspections were passed smoothly: • 7 license inspections • 12 routine inspections • 7 other inspections • 2 unannounced inspections

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.2 External regulatory inspections *(continued)*

Type of enterprise	Inspections by external regulatory agencies accepted by the Group in 2024
API manufacturing enterprises	API enterprises accepted a total of 24 inspections from drug regulatory agencies. All inspections were passed smoothly: • License for veterinary drugs manufacturing & GMP acceptance (for export only): 1 • Pre-market GMP compliance of drugs & Changes to scope of manufacturing license & On-site inspection of GMP compliance of drugs exported to EU: 1 • U.S. FDA cGMP inspection and pre-approval inspection: 2 • Brazilian ANVISA GMP certification inspection: 1 • Post-market GMP compliance inspection: 1 • Daily supervision inspection of veterinary drugs: 6 • Daily supervision inspection of pharmaceuticals for human use: 4 • Pre-market GMP compliance inspection: 1 • Daily supervision inspection of food additives: 1 • Clinical on-site inspection: 4 • Combined registration on-site inspection and GMP compliance inspection: 1 • Inspection of changes to scope of manufacturing license for pharmaceuticals for human use: 1
In vitro diagnostic reagent enterprise	In vitro diagnostic reagents (drugs) accepted 1 inspection from drug regulatory agencies. The inspection was passed smoothly: • 1 daily inspection of drugs
	In vitro diagnostic reagents (medical devices) accepted a total of 4 inspections from medical device regulatory agencies. All inspections were passed smoothly: • 1 annual audit of ISO 13485:2016 Quality Management System for Medical Devices • 1 MDSAP (Medical Device Single Audit Program) initial certification audit for medical device quality management systems (U.S. and Japan) • 1 daily supervision audit of medical devices • 1 on-site assessment of risk monitoring

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process

According to national laws and regulations and industry standards, we have developed detailed plans for equipment certification, intermediate process control, etc. and implemented comprehensive quality management and control of various production facilities, with a full-spectrum approach to quality control in the production process. We conduct regular certification on key production facilities. The main principles we abide by are as follows:

- 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.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process *(continued)*

At the same time, the Company pays continuous attention to announcements and reports from the NMPA, media, and international organizations to ensure timely access to industry trends and quality and safety information. For any new risks identified, we will immediately take relevant measures to ensure product safety, as detailed below:

Relevance assessment:

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

Extended investigation:

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

Quality research:

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

Quality risk assessment:

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

Corrective and precautionary actions:

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

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.3 Quality control on production process *(continued)*

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

Case: Conducting precautionary testing for regular risk analysis

To enhance the internal quality management level and ensure continuous compliance, 7 drug preparation manufacturing enterprises established a quarterly product and quality risk analysis and reporting system, which was used to study and judge product and system risks, develop corrective and preventive actions, and continuously improve the quality management system. Quality risk control opinions and suggestions were reported quarterly to the heads of these enterprises, who fully considered these opinions and provided resources for continuous improvement.

Case: Precautionary testing for regulations

During the Year, the Guangdong Provincial Medical Products Administration issued the Administrative Measures for Pharmaceutical Qualified Persons of Guangdong Provincial Medical Products Administration, and the National Medical Products Administration issued the Notice on Strengthening the Supervision and Administration of Entrusted Drug Manufacturing (Draft for Comments). These regulations impose higher requirements on key personnel, especially those in entrusted manufacturing enterprises. The Company's quality management head office required all relevant subsidiaries to conduct a gap analysis with a comprehensive reference to the above-mentioned regulations, and formulate and implement targeted improvement measures. In response to the increasing qualification requirements for key quality management personnel, the Company's quality management head office organized key personnel (persons in charge of quality, persons in charge of production, qualified persons, and delegated qualified persons) from the Group's 9 manufacturing enterprises to study regulatory knowledge, and held a legal knowledge competition for core personnel to encourage enterprises within the Group to actively expand their pool of delegated qualified persons. At the same time, the quality head office organized further training for quality management personnel of the enterprises. During the Year, a total of 80 people from subsidiaries participated in audit work organized by the quality head office for 275 person-days, from which their business management skills were improved. They were involved in drug preparation and API audits, clinical trial project audits or self-inspections, internal and external training, irregular summary exchange sessions, and related management work of the quality management head office. These efforts helped accelerate the development of key quality management personnel for the future and ensure a reserve of qualified quality management personnel.

7.4 QUALITY MANAGEMENT OF PRODUCT MANUFACTURING *(continued)*

7.4.4 Quality audit

Based on the six systems of GMP[4] and internal production quality management system standards, the Company has developed detailed inspection rules and defect evaluation standards. According to these standards, the Company 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 management of the quality system throughout the entire life cycle of pharmaceuticals, identify blind spots in quality management, and avoid regional and systemic risks, thereby further promoting the steady 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 18 quality audits on the Group's drug preparation enterprises (including animal drug preparation enterprises), 2 quality audits on the Group's in vitro diagnostic reagent enterprise, 10 quality audits on the Group's API enterprises, and 2 quality audits on the Group's distributors.

During the Year, the Group's drug preparation enterprises and in vitro diagnostic reagent enterprise accepted a total of 49 audits from drug regulatory agencies and other external auditors, all of which revealed no serious defects. The Group's API enterprises accepted a total of 176 external audits, all of which were successfully passed.

For problems and defects revealed in the quality audits, the quality management head office of the Company emphasizes holistic risk identification, requires MAHs to actively identify relevant product or system risks on the basis of reviewing defects, and ensures that effective corrective and precautionary actions are implemented under the guidance of the "Plan-Do-Check-Act" (PDCA) model. The PDCA model not only emphasizes the process of teamwork and brainstorming, but also encourages the use of various quality risk management tools to help enterprises identify potential problems more effectively. The Company strictly requires all MAHs to use the PDCA mode to ensure comprehensive and systematic investigation of product and system risks. In this process, it is necessary to develop a complete risk list and corresponding control measures list covering the six major factors of man, machine, material, method, environment, and measurement. Each MAH must implement corrective actions carefully against these lists and make continuous improvements to fulfill the Group's basic requirements of "daily settlement and precise GMP" for production quality work.

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

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION

Livzon is committed to establishing a compliant and efficient drug distribution system, while closely following regulatory requirements and the latest regulatory trends of drug regulatory agencies. The Company regularly conducts compliance training on drug distribution to improve the professional quality of employees. 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 2024, 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; 2 pharmaceutical distributors of the Group accepted a total of 4 GSP special and daily supervision inspections by drug regulatory agencies, and no material defects were found, hence the quality management risk of our drug distribution is controllable.

7.5.1 Management of product package inserts and labels

Product labels and package inserts are important guides for consumers in correct selection and use of drugs, and are of great significance to ensure the health and life safety of the public. Livzon strictly complies with laws and regulations such as the Drug Administration Law of the PRC and the Provisions for Drug Package Inserts and Labels. Each manufacturing enterprise has established a management system of labels and package inserts, and has formulated relevant management systems. 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 checks, so as to ensure that our product labels and package inserts fully comply with regulatory requirements, safeguarding the safety of consumer medication.

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.

7.5.2 Product tracing

Livzon has established a complete product information traceability system and formulated the Drug Traceability Management System. Through traceability platforms such as "Ma Shang Fang Xin(碼上放心)" and the "National Veterinary Drug Tracing System", Livzon has successfully enabled the smallest sales packaging unit of drugs, class III medical devices and veterinary drugs to be traceable (giving unique traceability ID to the smallest sales packaging unit). With a comprehensive information traceability mechanism, we enable the efficient circulation of traceability information across different processes, thereby promoting the overall governance of product quality and safety and improving our ability to guarantee product quality and safety.

Our API export enterprises have formulated the Procedures for Management of QR Codes for Active Pharmaceutical Ingredients (APIs) to ensure that each level of packaging labels for exported APIs bears a QR code (Quick Response Code). This enables regulatory agencies and consumers to trace product unique identifiers, batch numbers, dates of manufacture, and other product information by scanning the QR code through tracking systems such as the "China Product Information Service Platform" and "ANCC app".

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

7.5.3 Product recall and safety emergency management

In order to regulate the management of unqualified products and prevent risks such as confusion or errors, the Company has formulated the Operating Procedures for Product Recalls, the Unqualified Product Management System, the Returned Product Management System, the Contingency Plans for Material Product Safety Incidents, and other management systems. The disposal of unqualified materials, intermediate products, products to be packaged, and finished products shall be approved by MAH persons in charge of quality, and relevant records shall be kept. We establish and keep complete purchase and sale records to ensure the traceability of products sold, and regularly conduct simulated product recalls and emergency drills for product safety emergencies.

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

Product Recall Procedures of Livzon

- If any unqualified product is identified or assessed by the entrusted party during the process, it shall immediately be marked and isolated. The entrusted party shall give timely feedback on the relevant information substantiating the nonconformity assessment, such as product/material name, batch number, supplier, validity involved, and any abnormal conditions, to the entrusting party. 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 complete the destruction of the recalled products that must be destroyed under the supervision of the regulatory department. An Unqualified Product Destruction Record must be completed and submitted to the regulatory department. In addition, the relevant person in charge will register the destruction and handling information in the Unqualified Product Handling Record for timely update and maintenance.

During the Year, some MAHs and all API enterprises of the Group conducted simulated product recalls and emergency drills for product safety emergencies. The results of these drills met the expected targets, fully verifying the feasibility and effectiveness of the recall processes. The drill results demonstrated that the effectiveness of the recall process had been fully verified, and the establishment of relevant policies ensured that enterprises could quickly and effectively conduct contingency handling 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

In order to effectively protect the rights and interests of customers and improve their satisfaction, Livzon always takes the annual satisfaction survey of the quality of products and services as one of its key priorities. To fully protect the rights and interests of customers and improve customer satisfaction, we regularly distribute questionnaires to customers in various regions to deeply understand the views and suggestions of customers on the Group's products and services in a multi-dimensional way. Guided by customer feedback, we optimize service processes and continuously improve service quality and standards to ensure that customer expectations are fully met.

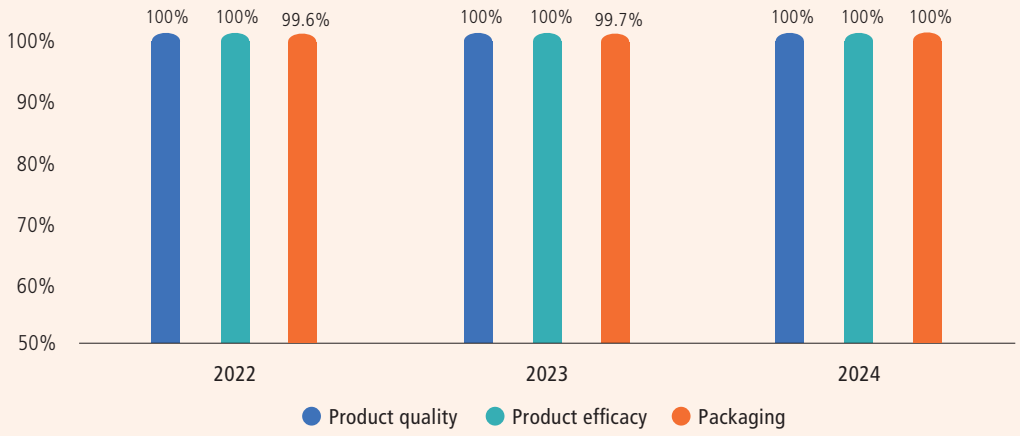
7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

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

Enhancement of customer satisfaction *(continued)*

In 2024, the Company received 293 feedbacks in written forms from customers. The results showed that customers were highly satisfied with the quality, packaging, and efficacy of Livzon's products. The questionnaires were sent to the corresponding business departments. Relevant departments analyzed the problems and suggestions from customers' feedbacks and solved existing problems in a timely manner, to provide customers with better products and better services.

Customer Satisfaction Survey Results from 2022 to 2024



Meanwhile, to gain comprehensive insights into end-user needs, the Group conducts customer satisfaction surveys 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, and through regular summary of survey results, the Group accurately assesses the safety and efficacy of products to ensure continuous improvement and optimization.

7.5 QUALITY MANAGEMENT OF PRODUCT DISTRIBUTION *(continued)*

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

Protection of customer privacy

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

We collect necessary information from customers and other individuals under the premise of legal compliance. For the handling of confidential information, we enter into confidentiality agreements with relevant parties, and customers can revise their personal data by telephone, 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 relevant management systems to manage the Group's product quality complaint affairs by coordinated guidance and supervision.

We undertake to promptly and properly handle the quality complaints about the products of our subsidiaries, and require 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, so as to fully protect customers' rights and interests and ensure product quality.

During the Year, Livzon received 108 product-related feedbacks, including 21 medication queries and 87 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 clinical trials and post-market monitoring, to ensure the effective identification and reduction of possible safety risks throughout the entire life cycle of pharmaceutical products, thereby ensuring patients' drug safety.

7.6.1 Pharmacovigilance management

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 to ensure timely and accurate submission of various reports, document retrieval, and risk warning. Moreover, the system is seamlessly integrated with the CDE (Center for Drug Evaluation of the National Medical Products Administration), improving work efficiency and providing a safeguard for public drug safety.

In 2024, the pre-market PV department of the Company was committed to the continuous optimization of the PV management system, comprehensively monitoring and analyzing the risks of clinical research drugs and developing effective risk control measures to protect the safety of clinical research subjects. This ensured the scientific and compliant nature of the PV system and provided strong support for the pre-market clinical research of drugs for the Company and its subsidiaries.

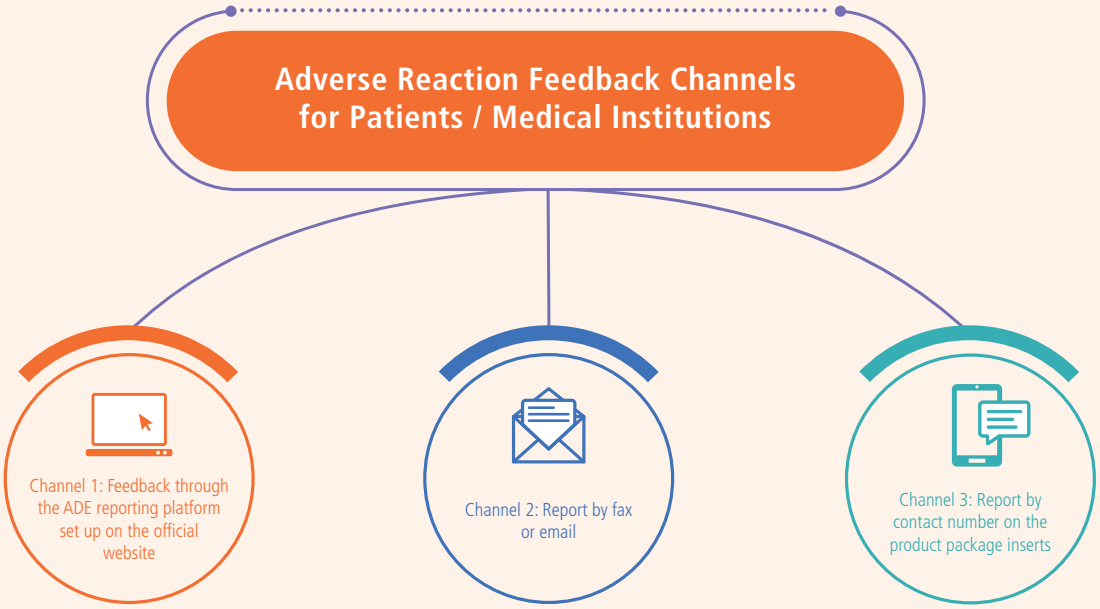
Meanwhile, in the annual quality audits of the Company's subsidiaries conducted by the Company's quality management head office, a special appraisal of the construction and operation of the pharmacovigilance (PV) system was included. The PV audits across all operations of the Group not only promoted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

7.6 PHARMACOVIGILANCE *(continued)*

7.6.2 Report of adverse drug reaction

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

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



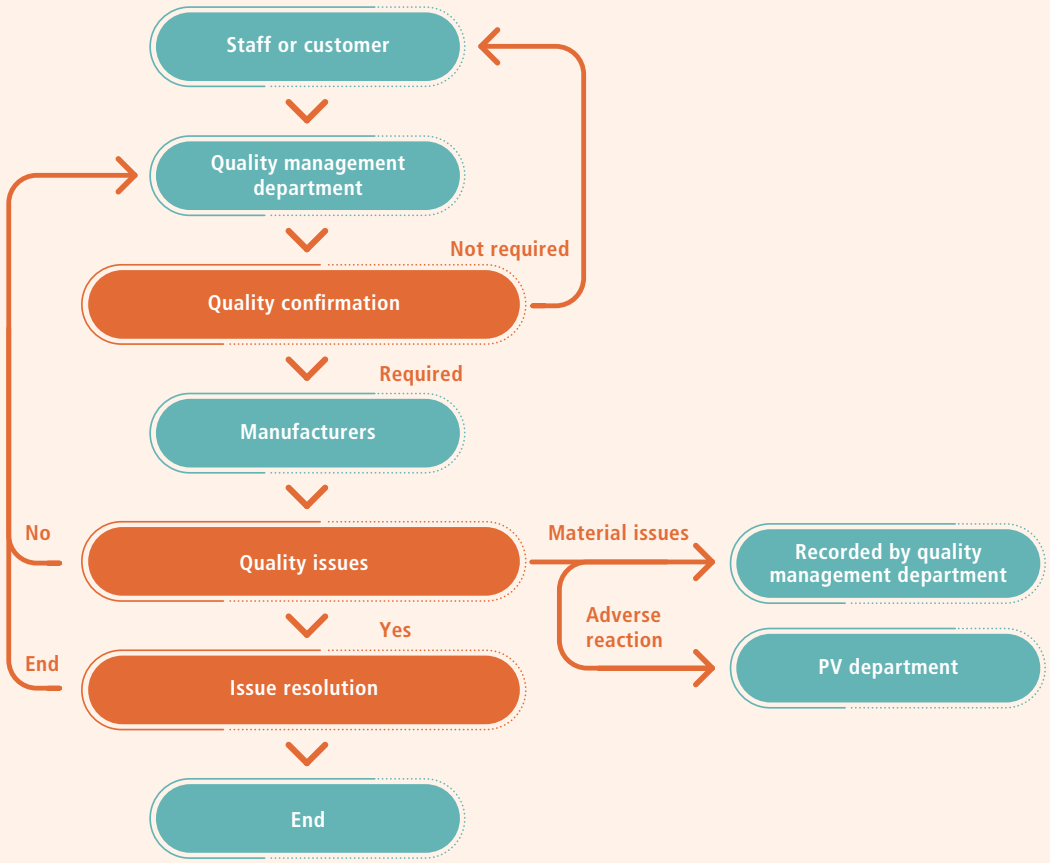
Note: To safeguard drug safety for the public, Livzon established an ADE reporting platform on its official website, and provided contact number and email as feedback channels for patients or clinical trial subjects with adverse conditions that occur after drug administration, to understand and evaluate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

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.

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 internal systems. 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. The Group is committed to creating a safer and more reliable environment for the use of medical devices by the 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 spreads quality awareness in every process to achieve continuous improvement in overall quality levels.

We formulate annual training programs for quality, and accordingly conduct product quality and safety trainings on a regular basis for all employees of the Group every year. Through forms of annual quality meetings, weekly quality meetings, regular reports on pharmaceutical policies and regulations, etc., we disseminate and strictly supervise the implementation of 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 to conduct special report on quality. 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.

- **Regular report on pharmaceutical 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, employees in quality and 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.

- **Quality Month event:** During the Year, the Quality Month event was organized and held by the Company's quality management head office and widely attended by all manufacturing enterprises and R&D units of the Group. The event had an effect of large-scale promotion of the Company's quality culture.

7.7 ESTABLISHMENT OF QUALITY CULTURE *(continued)*

Case: Quality Month event – Shared facilities assessment and cleaning validation training, technology transfer training

In September 2024, the quality management head office of the Company conducted a special training in two parts: "shared facilities assessment and cleaning validation" and "technology transfer". Two persons in charge of quality with extensive quality management experience within the Group were invited to provide explanations and answer questions. The training attracted online participation from 10 enterprises within the Group and offline participation from more than 200 quality related staff in the industrial park, which further strengthened the quality awareness of employees and improved quality management levels.

Case: Quality Month event – Legal knowledge competition for MAH key personnel

In September 2024, the quality management head office of the Company engaged persons in charge of quality, persons in charge of production, qualified persons, delegated qualified persons, and newcomers to the quality team from all enterprises in a legal knowledge competition for MAH key personnel. A total of 21 teams from 9 enterprises within the Group participated in the competition, which consisted three intense and competitive rounds, with engaging audience Q&A sections. This competition responded to the requirements of the Administrative Measures for Pharmaceutical Qualified Persons of Guangdong Provincial Medical Products Administration. By promoting learning through examination, enterprises within the Group are encouraged to actively expand the pool of delegated qualified persons, strengthen employees' learning and understanding of quality laws and regulations, and cultivate future quality talents for enterprises.

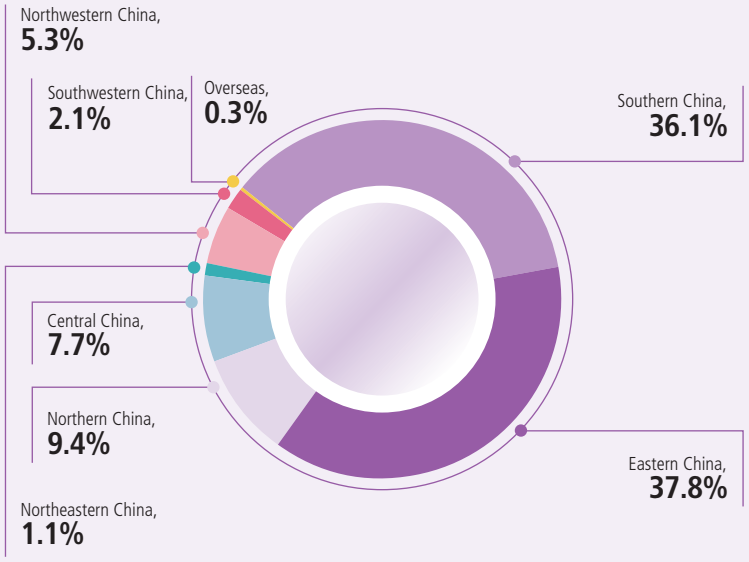
8

RESPONSIBLE SUPPLY CHAIN

Adhering to the concept of sustainable development, the Group is committed to creating a responsible, efficient and green supply chain ecosystem. With a procurement mechanism that combines market-based pricing and comprehensive assessment, we join hands with supply chain partners to fulfill social responsibilities, achieve win-win results for all parties, establish a resilient and sustainable supply chain system, and lay a solid foundation for supply chain management.

As at the end of the Reporting Period, the Group had a total of 2,059 suppliers with the following regional distribution:

Number of Suppliers by Geographical Region



8.1 SUPPLY CHAIN MANAGEMENT

Livzon strictly complies with relevant national and local laws and regulations. In accordance with GMP requirements and its actual situation, Livzon continuously establishes and improves internal supplier management systems to standardize supply chain management, and conducts supplier entry, audit, assessment, and classification management. We keep improving our supplier management system, consistently enhance the comprehensive and multidimensional management level of the Group's supply chain, and effectively fulfill our social responsibilities for suppliers, customers, and consumers.

We have established a comprehensive performance evaluation system that covers each stage of supplier management through comprehensive appraisal measures such as qualification confirmation, risk assessment, audit supervision, and evaluation. We improve our procurement management system based on the principles of openness, transparency, and standardized management. In terms of audit and supervision, we have established a dedicated team to oversee supplier conduct through audits and annual comprehensive appraisal; furthermore, we have established a supplier complaint mechanism to encourage employees or other stakeholders to report any violations of the code of conduct by suppliers. In addition, we proactively cooperate with suppliers on resolving issues related to product quality and safety and ESG; we actively conduct supplier trainings, promote energy conservation and emission reduction in the supply chain, and provide support for suppliers to improve themselves and obtain certification. In doing so, we are committed to building a healthy, green and sustainable supply chain.

To further improve the overall management level of the supply chain, enhance procurement efficiency, and reduce procurement costs, the Company formulated the Material Centralized Procurement System to regulate the management process of centralized procurement activities during the Year. We actively conducted joint procurement of common use items and services. For example, the Company's API business department strengthened strategic and centralized procurement of bulk materials to continuously enhance the stability and sustainability of the supply chain.

The Code of Conduct for Suppliers (the "Code") established by the Company sets forth standards of conduct for suppliers in different areas. It designates the Board as the highest responsible authority for overseeing the implementation of the Code, with the ESG Committee under the Board responsible for the day-to-day implementation, supervision, and periodic review. To ensure the effective implementation of the Code, we continuously communicate its requirements to suppliers at each stage of the procurement process. We conduct relevant training for cooperating suppliers, integrate the requirements of the Code into supplier audits, and build a multi-level supervision system to ensure that suppliers comply with the Group's ethics and compliance standards. For suppliers who do not meet the requirements of the Code, we will urge them to propose correction plans and make corrections within a specified timeframe; if a supplier still fails to meet the standards after correction, we will terminate the cooperative relationship with it. In addition, Livzon incorporates compliance with the Code and ESG requirements as contractual terms, and specify in contracts that Livzon will conduct annual comprehensive appraisal of suppliers, and implement the concept of sustainable development in the whole process of procurement management.

The Company attaches great importance to collaborative development with suppliers. During the Year, we conducted trainings on the Code for 327 suppliers. For suppliers who did not meet the provisions of the Code, we made prompt corrections and adjustments to ensure the stability and sustainability of our supply chain.

8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.1 Entry management

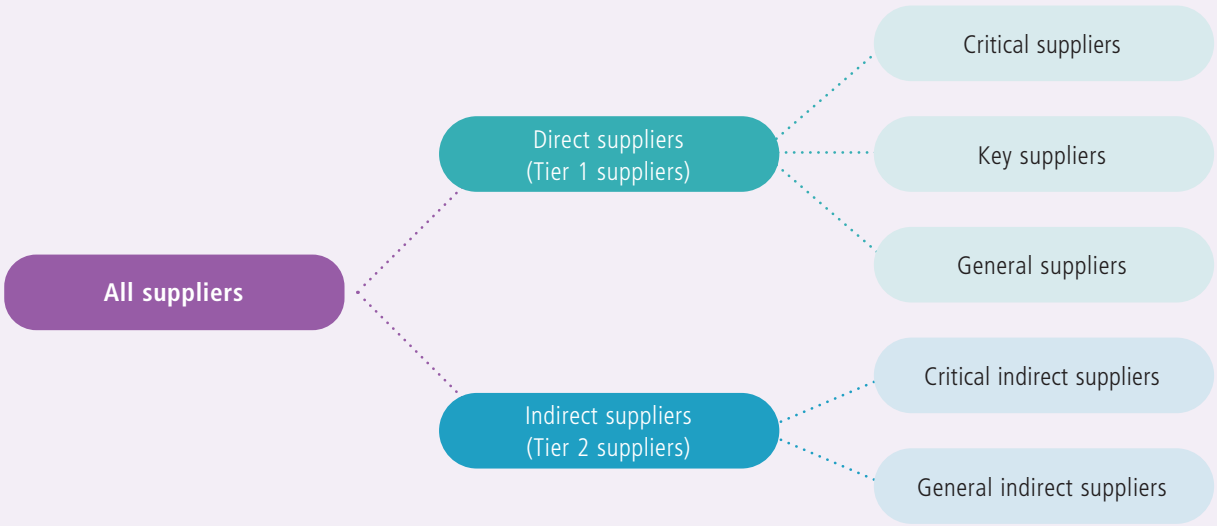
Livzon strictly controls supplier entry standards. We select qualified suppliers in terms of product quality standards, testing and verification, process testing, stability, etc., and strictly control over the basic threshold of supplier entry. In addition to the necessary qualifications, we focus on the performance of suppliers in terms of system certification, operation compliance, production qualification, etc. We also take suppliers' ESG system development, social responsibility, and environmental protection into the scope of investigation. Under the same conditions, we give priority to suppliers certified to ISO management systems and EcoVadis and continuously increase the proportion of procurement from high-quality suppliers.

According to different types of suppliers, we classify suppliers into suppliers of pharmaceutical raw materials and auxiliary materials, suppliers of immediate pharmaceutical packaging materials, and suppliers of pharmaceutical printing and packaging materials, and we have defined the specific qualification requirements and certification documents by type of suppliers.

8.1.2 Classification of suppliers

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

Diagram of Supplier Classification



8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.3 Supplier audit

To build a solid defense line for compliant procurement and product quality at source, Livzon has formulated and strictly implements the internal supplier audit management system, and conducts audits from the dimensions of supplier qualification, staff composition, equipment and facilities, material management, production management, quality control and quality assurance, business ethics, human rights and labor, environmental protection, etc. The Company includes supplier EHS performance in the scope of audits to ensure that suppliers' ESG performance meets the Group's requirements. We specify the corresponding requirements of audit frequency and method according to the classification of suppliers, as shown in the following table:

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, Livzon audited 639 tier 1 suppliers and 28 tier 2 suppliers. Specifically, 170 tier 1 suppliers and 9 tier 2 suppliers were on-site audited, and 469 tier 1 suppliers and 19 tier 2 suppliers were desk audited. For issues identified during audits, we have overseen suppliers' remedies in a timely manner. The correction process includes analyzing audit deficiencies, developing corrective plans, implementing corrective actions, inspecting and assessing correction results, and summarizing and sharing correction experience. In the follow-up work, we also pay continuous attention to suppliers and promote their ongoing improvement in comprehensive management level.

8.1 SUPPLY CHAIN MANAGEMENT *(continued)*

8.1.4 Annual comprehensive supplier evaluation

Strict periodic evaluation and review is fundamental to supplier management. The Company has established a sound annual comprehensive evaluation system for suppliers, with the supply chain, production, quality, risk control, EHS, and other departments conducting assessments from their respective professional perspectives. The evaluation is based on multi-dimensional information such as audit reports and questionnaire surveys, which forms systematic appraisal results to be submitted to the Company's management for presentation and review.

During the Year, to further build a green and sustainable supply chain, we strengthened our audit requirements in ares of supplier safety, environmental protection, occupational health, etc., thus reducing supply chain risks.

According to the standards for annual comprehensive supplier evaluation, the Company classifies suppliers into four levels: excellent, good, qualified and unqualified. For suppliers rated as excellent, we may consider increasing an appropriate procurement volume as an incentive; for suppliers rated as unqualified, we will suspend procurement operations and request correction within a specified time limit. According to the monitoring and correction results, suppliers that meet the requirements will have their qualifications re-verified; conversely, if the correction is not timely or fails to meet standards, the suppliers will be disqualified and removed from the qualified supplier database after a process approval.

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

During the Year, we conducted an annual comprehensive appraisal for a total of 1,928 suppliers. The pass rate of the annual appraisal of suppliers was 99.7%.

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY

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

Optimization of supply chain quality

The Company has a sound supplier audit system in place and clearly communicate our requirements to suppliers through standardized audit procedures. For any non-compliance identified during audits, the supplier is required to make timely corrections. The results of these corrections are factored into the annual supplier assessment, which, in turn, influences the allocation of procurement shares for the following year.

In addition, we regularly organize special seminars to share cutting-edge quality management concepts and practical experience with suppliers, seek their feedback, and discuss with them measures and strategies to improve product quality. We also conduct supplier quality training to communicate the Company's quality standards, help suppliers optimize their quality control systems, and actively assist suppliers in passing ISO and other certification standards.

Before the release of new industry regulations and standards, we take the initiative to investigate suppliers' understanding and implementation of relevant provisions, and timely conduct interpretation training when necessary; in case of material supply or quality abnormalities, the Company provides specific guidance and, when required, sends a technical team to offer on-site support to ensure that problems can be corrected quickly.

To achieve full-process information exchange and collaboration, we establish a multi-level cooperation mechanism with suppliers, enter into strategic and long-term partnership agreements that clearly specify quality requirements and responsibilities, and undertake to help suppliers improve their overall performance for a long time and consolidate mutual cooperation trust. Moreover, in managing the supply chain of traditional Chinese medicinal materials, we have been committed to the quality research for genuine medicinal materials, and has strengthened the construction of medicinal material bases to ensure the quality stability of traditional Chinese medicinal materials from the very source.

Ensuring 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, co-construction, and joint construction. During the Year, the Group worked together with medicinal material suppliers to construct 23 key jointly built bases, involving 12 medicinal materials (including Isatis indigotica, Acorus tatarinowii, Pogostemon cablin, Curcuma aromatica, Forsythia suspensa, Rehmannia glutinosa, Anemarrhena asphodeloides, Lonicera japonica, Saposhnikovia divaricata, Panax notoginseng, Astragalus membranaceus, and Codonopsis pilosula), covering a total area of over 27,000 mu, providing raw medicinal materials with uniform and stable quality for the production of key varieties. During the Year, the Group purchased over 3,329 tonnes of dried medicinal materials.

We have 5,165-mu self-built and 1,320-mu jointly built medicinal material bases in Hunyuan County, 8,786-mu jointly built standardized GAP (Good Agricultural Practice for Chinese Crude Drugs) bases in Tianzhen County and Yanggao County of Datong City in Shanxi Province – the genuine producing areas of Astragalus membranaceus; and 5,132-mu jointly built Astragalus membranaceus GAP bases in Yulin City in Shaanxi Province. The area of our bases totaled 20,403 mu. Without watering, fertilizing, or using pesticides, it is ensured at the source that high-quality and genuine Astragalus membranaceus is produced.

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY *(continued)*

Ensuring the supply chain quality of traditional Chinese medicinal materials *(continued)*

In response to the significant decline in the resources of wild Acorus tatarinowii over the past few years, the Group has, in cooperation with a local pharmaceutical enterprise and under the technical guidance of the expert team of Sichuan Academy of Traditional Chinese Medicine, successfully built bases for Acorus tatarinowii cultivated in simulated wild conditions. The base area is planned to reach more than 4,000 mu in the next three years. In 2024, a 50-mu standardized cultivation demonstration base of Acorus tatarinowii was jointly built in Wangcang County, Guangyuan City, Sichuan Province, and cleaning processing workshops were built simultaneously in the producing areas to enable standardized processing. Furthermore, we will guide local farmers to expand the planting area in the future to ensure the uniform and stable quality of medicinal materials.

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

As at the end of the Reporting Period, Livzon had completed the construction of a full-process traceability system and the QR code traceability management for the cultivation bases of 11 key medicinal materials. It is possible to check the entire process of medicinal material cultivation through a software platform and traceable QR codes, which ensures that the sources of traditional Chinese medicinal materials and their whereabouts can be traced and verified, and 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.

Supplier training on quality

To control the quality risk of the supply chain, we conduct annual training on quality 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 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, raise the level of process quality, and other ESG-related content, in order to first raise awareness, strengthen internal quality, and jointly drive win-win cooperation within upstream and downstream supply chains to achieve collaborative development.

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

8.2 IMPROVEMENT OF SUPPLY CHAIN QUALITY *(continued)*

Supplier training on quality *(continued)*

Case: Supplier training on quality

- In July 2024, Pharmaceutical Factory organized trainings on quality, with participation from 3 critical suppliers and 4 key suppliers, which further strengthened the suppliers' understanding of Livzon's quality requirements and helped improve the quality level of the supply chain.

- In April 2024, Livzon Diagnostics organized a special training for key suppliers. The training covered interpretation of the latest industry laws and regulations, quality standard requirements, quality control processes, etc., which further improved the suppliers' understanding and implementation ability of quality management and ensured the overall quality level of the supply chain.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN

The Company has established various internal supplier management systems to promote the establishment of a clean supply chain. All senior management of the Company, all management personnel at the deputy manager level or above of each subsidiary, and staff in key positions such as procurement, engineering, and EHS, have signed the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery. During the Year, all (100%) of the Group's employees signed the Staff Commitment for Anti-Corruption and Anti-Commercial Bribery.

External constraints and supervision

We require all interested parties (including suppliers, service providers, contractors, clients, etc.) that have business relationship with the Group to comply with the Anti-Corruption and Anti-Commercial Bribery Regulations of the Company and sign the Supplier Commitment for Operating with Integrity. As at the end of the Reporting Period, the signing rate of the integrity commitment by all the suppliers that have business relationship with the Group reached 100%.

The Company's Code of Conduct for Suppliers (the "Code") requires all suppliers of the Group to comply with the Company's Anti-Corruption and Anti-Commercial Bribery Regulations, adhere to business ethics, and agree that the Company has the right to conduct compliance reviews on them. In addition, to strengthen supplier integrity management, the Company has included integrity clauses in its contract templates, which require the counterparties to commit to operating with integrity, comply with the Company's relevant systems and ESG requirements, and cooperate with integrity trainings. If there is any violation, the Group has the right to terminate the contract. When signing a contract, suppliers must sign the Supplier Commitment for Operating with Integrity. 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. The above measures are effectively binding on counterparties in the legal form.

We regularly evaluate suppliers performance of business ethics 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. The Group regularly conducts anti-corruption audits on critical suppliers, key suppliers and general suppliers, and subsidiaries report to the risk management head office. During the year, 187 suppliers were audited to ensure compliance. In addition, the Company conducts follow-up inspections of major construction projects on a quarterly basis, and also conducts random checks on bidding and procurement files, so as to ensure business compliance and avoid corruption.

In daily operations, the risk control departments of each enterprise of the Group continuously monitor the procurement process and annually conduct trainings on business ethics such as anti-corruption for suppliers. During the Year, we conducted trainings on business ethics including anti-corruption for 504 tier 1 suppliers. At the same time, we required tier 1 suppliers to conduct trainings on business ethics such as anti-corruption for critical indirect suppliers.

8.3 ESTABLISHMENT OF CLEAN SUPPLY CHAIN *(continued)*

External constraints and supervision *(continued)*

Case: Provision of anti-corruption trainings for suppliers

- In 2024, Livzon MAB conducted a special training on the theme of anti-corruption and integrity for its suppliers to clearly inform suppliers of integrity requirements, regulate the conduct of suppliers, and effectively prevent the occurrence of commercial bribery and other corruption incidents. The training covered suppliers of productive materials, raw materials, auxiliary materials, and packaging materials. Suppliers were assessed and required to sign a commitment to ensure that they understood and complied with relevant integrity norms, so as to further improve the compliance awareness of suppliers and promote a healthy business environment.

- During the Year, Livzon Diagnostics conducted anti-corruption trainings for 97 suppliers. In the anti-corruption trainings for suppliers, Livzon Diagnostics introduced relevant anti-corruption laws and regulations to suppliers, explained the Company's code of conduct of integrity and related systems, and helped suppliers understand the integrity risks that may exist in various processes of cooperation with the Company, such as rebates in the procurement process, risks of bid-rigging and collusion during bidding, risks of improper benefit transfer during the performance of contracts. Suppliers were also taught how to identify these risks and establish effective internal control and supervision mechanisms to prevent them, thus enhancing their integrity awareness and response ability in practical operations.

Internal regulation and management

While regulating the conduct of suppliers, we also strictly regulate internal management and processes. We have established a full-process management system of "ex ante involvement, ad interim control and ex post supervision", and have fully launched a digital supplier management platform – the Supplier Relationship Management 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 supplier management process, ensure fair and equitable procurement, and solidly promote the Group's establishment of a clean supply chain.

8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY

Supply chain risk assessment is an essential component of Livzon's supply chain management. We conduct comprehensive assessment and control of supply chain risks to minimize supply chain risks, classify suppliers according to their risk levels, and develop targeted precaution mechanisms, preventive measures and risk treatment plans, so as to ensure the stability and security of the supply chain and effectively resist systemic risks in the supply chain.

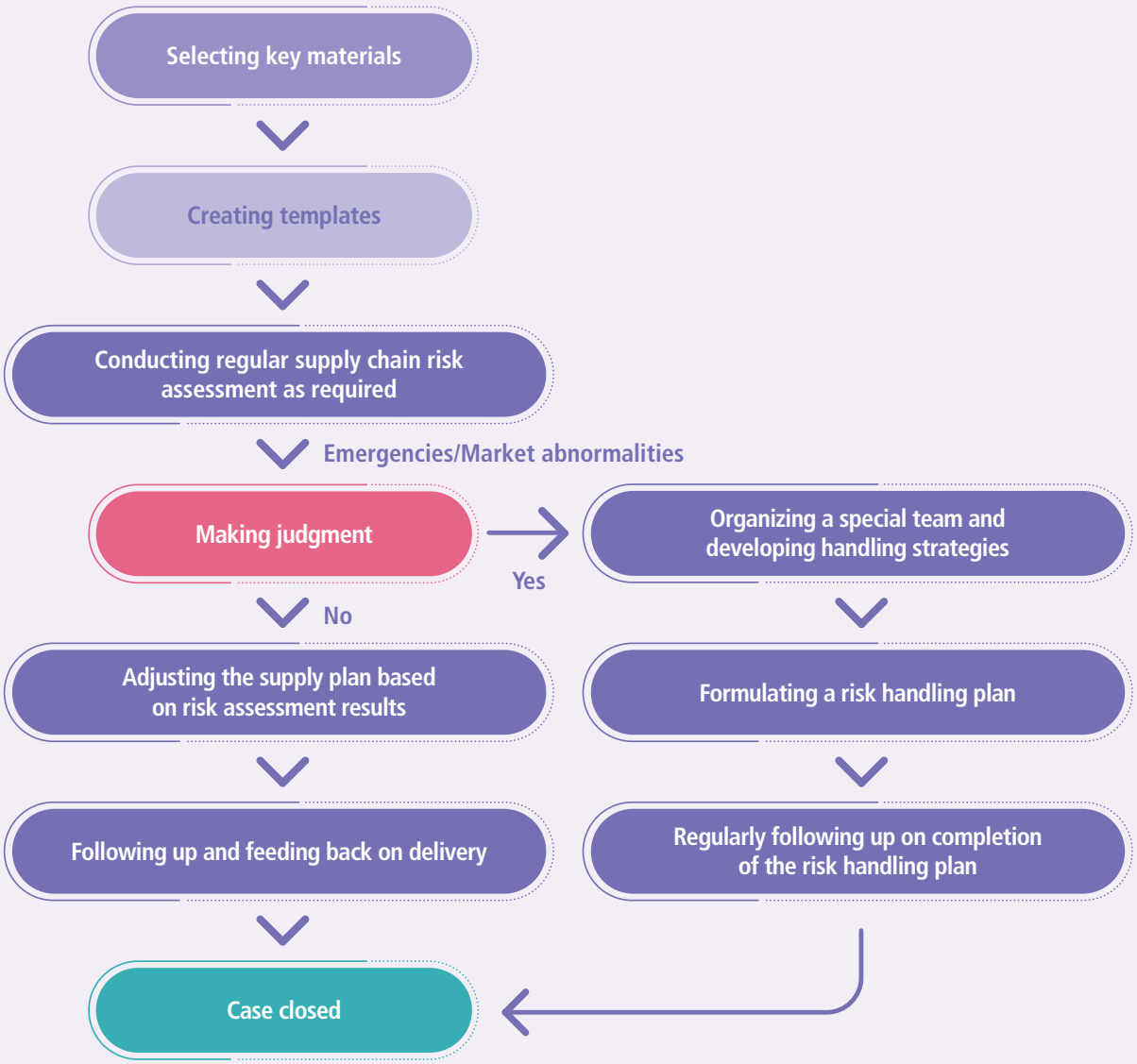
According to the requirements of the Company's internal systems, the Group regularly conducts supply chain risk assessment of its direct suppliers and critical indirect suppliers every year. The assessment includes at least the following 14 indicators:

8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY *(continued)*

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. During the Year, we conducted a supply chain risk assessment combining both qualitative and quantitative analysis across the above 14 assessment dimensions. Overall, our suppliers performed well, with only 1 rated as high risk.

In addition, we have specified the responsibilities of each department of the enterprises for the management of supply chain risks, and developed feasible supply chain risk assessment principles, control procedures, and response measures for each type of risks. Meanwhile, we require each enterprise to prepare an Annual Supplier Risk Assessment Report each year to build a full-process, systematic, and effective risk control system, thereby ensuring the stability and security of the supply chain.

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;
- Regularly investigate the price trend of bulk key materials;
- Carry out regular visits to suppliers to understand the production and operation of suppliers;
- Develop and deploy suppliers for key varieties in advance, and promote the quality improvement of alternative suppliers;
- Try the best to ensure the availability of at least 2-3 qualified suppliers in different regions for each type of material.
- Strengthen the technical support for suppliers' EHS management and reduce the risk of environmental regulations.

➤ Specific response measures:

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

8.4 ENHANCEMENT OF SUPPLY CHAIN STABILITY *(continued)*

We continue to increase the number of suppliers of key materials and expand our supplier poor by actively seeking new sources. In 2024, we added 127 new suppliers of key materials, further improving the stability of the Group's material supply.

During the Year, the Group conducted risk assessments for 1,746 suppliers and identified 1 high-risk supplier. To prevent stock-outs, the Company added new supply channels. There was no production delay caused by supply chain interruptions throughout the Year, which provided strong assurance for the Company's stable development and improved market competitiveness.

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN

Livzon highly emphasizes green development in its supply chain, taking active social responsibility and integrating ESG management concept into the supplier management system. We continuously improve the ability of the supply chain to create environmental and social value through systematic assessment and control.

For the process of supplier selection and appraisal, the Group has established an ESG evaluation mechanism, which integrates environmental performance, social responsibility, and other indicators into the comprehensive assessment system of suppliers, with the results of comprehensive assessment linked to procurement decisions. We also conduct EHS audits on suppliers, enter into green management agreements with suppliers, and set out green development requirements such as energy conservation and emission reduction. As at the end of the Reporting Period, we had conducted ESG assessments of all suppliers to ensure that their production and operations comply with Livzon's green management standards.

8.5.1 Supplier EHS audit

To better practice ESG concept in supply chain management, the Company has formulated a supplier EHS audit system. The audit results may influence the allocation of procurement shares in the following year, creating an effective incentive and constraint mechanism that encourages suppliers to continuously improve their ESG management levels.

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;

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN *(continued)*

8.5.1 Supplier EHS audit *(continued)*

- Audit content: It mainly includes the implementation of the "three simultaneous" system, energy conservation and emission reduction, compliance with discharge requirements of pollutants, the ISO system certification, etc. In particular, the audit targets of energy conservation and emission reduction are as follows:
    - 1.5% decrease in water consumption per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1.5% decrease in electricity consumption per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1% decrease in COD emissions per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - 1% decrease in sulfur dioxide emissions per RMB10,000 of output value for the next fiscal year, compared with this fiscal year;
    - Amount of hazardous waste to be treated in the next fiscal year not exceeding that in the current fiscal year, and meeting national standards and regulatory requirements.
- Audit methods and process: written or on-site audit; upon completion of the audit, prepare an annual audit report of the supplier, and submit it to the Company's production technology head office for reporting and review.

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 appraisal requirements related to energy conservation and emission reduction on all critical suppliers of the Group. Please see the following for details:

- Evaluation targets: Set specific plans and appraisal targets for suppliers according to their actual situation. 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.

8.5 GREEN AND SUSTAINABLE SUPPLY CHAIN *(continued)*

8.5.2 Sustainable procurement *(continued)*

- 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.

We pay continuous attention to suppliers' performance in energy efficiency and utilization of renewable energy sources. We actively provide professional guidance, technical assistance, and ESG related trainings to help improve ESG management performance, assist in obtaining relevant certifications and achieving energy conservation and emission reduction targets, so as to jointly promote green development. Meanwhile, in specific practice, we urge suppliers to adopt advanced process equipment, promote the application of clean energy, strengthen the recycling of water resources, and regularly track and assess their energy conservation and emission reduction effects. Moreover, by optimizing supply chain distribution, we reduce energy consumption in logistics processes, continuously improving the operation efficiency of the supply chain.

During the Reporting Period, the Group made collaborative innovation with suppliers on emission reduction projects, jointly created a green and sustainable industrial ecosystem, and pushed suppliers to make progress in energy conservation and emission reduction, thus laying a solid foundation for achieving a low-carbon transformation of the supply chain.

ESG empowerment for suppliers

We are actively engaged in ESG empowerment for our suppliers and improve suppliers' ESG management levels by providing systematic trainings and technical guidance. Meanwhile, we conduct special training courses for personnel in procurement, EHS, ESG, and other related positions within the Group to ensure that they master and effectively implement supplier ESG management requirements and promote the implementation of the supply chain sustainability strategy.

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 share practical experience in the industry and contribute professionally to the high-quality development of the pharmaceutical industry.

Case: Participation in intelligent manufacturing seminars

In August 2024, China Pharmaceutical Enterprises Association organized a seminar on "Digital Empowerment in Pharmaceutical Supply Chain Management" in Zhuhai, aiming to improve the level of digital supply chain management of pharmaceutical enterprises. The Company actively participated in the event of the association and invited representatives from more than 50 participating enterprises to visit our factory. We engaged in discussions and sharing with these representatives on the Company's supply chain informationization and management and received unanimous praise from the enterprise representatives, which was inspiring and exemplary for improving the digital development of the industry supply chain.

8.6 DRIVING INDUSTRY DEVELOPMENT *(continued)*

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

- Pharmaceutical Supply Chain Quality Branch of China Quality Association for Pharmaceuticals
- World Federation of Chinese Medicine Societies
- Specialty Committee of Multidimensional Evaluation on Genuine Medicinal Materials of the World Federation of Chinese Medicine Societies
- China 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 Pharmaceutical Industry Association
- Sichuan Traditional Chinese Medicine Development Promotion Association
- Specialty Committee of Dose-Effect Study of Prescriptions, Sichuan Provincial Association of Chinese Medicine
- Sichuan Medical and Health Products Cosmetics Quality Management Association
- Pengzhou Medical and Health Industry Development Promotion Association
- Pengzhou Enterprise Federation
- Guangdong Bio-pharmaceutical Innovation Technology Association
- Guangdong Food & Drug Technology Association for Evaluation & Certification
- Guangdong Province Pharmaceutical Industry Association
- Guangdong Association of Traditional Chinese Medicine
- Guangdong Medical Price Association
- Guangdong Medical Association
- Guangdong Preventive Medicine Association
- Guangdong Association of Circular Economy and Resources Comprehensive Utilization
- Alliance for R&D and Technological Innovation in Vaccines for Emerging Infectious Diseases
- Zhuhai Preventive Medicine Association
- Zhuhai Management Association of Precursor Chemicals
- Guangdong Drug Compliance Insurance Organization
- Shanghai Pharmaceutical Profession Association
- Fuzhou Pharmaceutical Association
- Zhuhai Management Association of Precursor Chemicals

9

TAKE HUMAN AS THE FOREMOST

Livzon values talents, upholds the talent philosophy that "Employees are the most valuable resource, and high-caliber talents are the most important assets", and actively expands the channels for talent introduction. Regarding the building of talent team as the foundation of development, we have established a scientific and systematic talent training system to provide each employee with tailor-made career development channels and help them reach their full potential. Furthermore, we prioritize employee health and safety by continuously improving occupational health and safety management and protecting the growth of employees throughout their stay with us. Together with our employees, we go on a new journey of sustainable development of the Company.

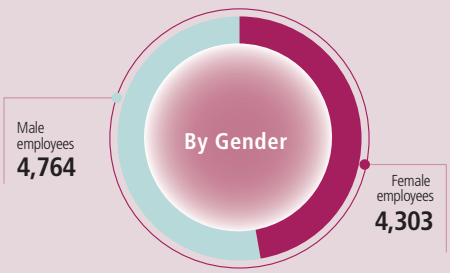
9.1 EMPLOYMENT

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 liberal working environment for staff.

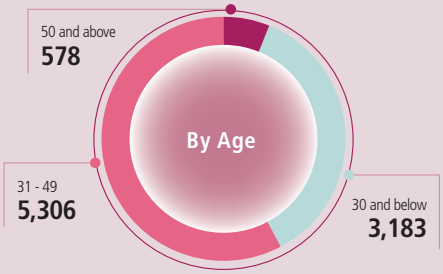
As at the end of the Reporting Period, the Group had a total of 9,067 employees (31 December 2023: 8,933 employees).

Livzon's Number of Employees in 2024

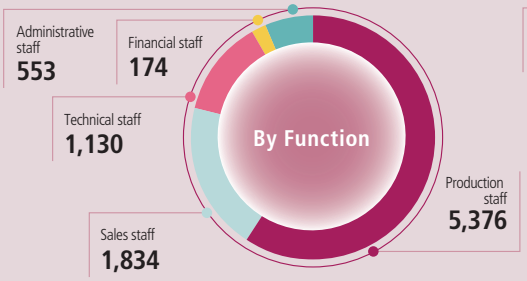
Livzon's number of employees by gender in 2024



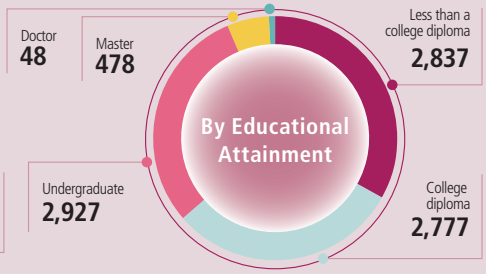
Livzon's number of employees by age in 2024



Livzon's number of employees by function in 2024



Livzon's number of employees by educational attainment in 2024



9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment

The Group strictly comply with the Labor Law of the PRC, the Labor Contract Law of the PRC, and other relevant national and local laws and regulations. It also follows the ten principles of the United Nations Global Compact (the "Ten Principles") and the core conventions of the International Labor Organization (the "Core Conventions"), and other external human rights related demand, and the Company formulated relevant compliant employment system and guideline. In particular, the Company's Code of Labor Employment and Ethical Conduct covers the Ten Principles, the Core Conventions, and other external human rights related demand, so as to regulate the management of the Group's employment practices and ensure compliance, fairness and transparency of recruitment and employment procedures.

The Group ensures that the recruitment and employment procedures comply with the requirements of laws and regulations and are implemented in a fair and transparent environment, so as to protect the legitimate rights and interests of candidates while selecting talents. The Group forbids the recruitment and employment of minors under the age of sixteen and is against compulsory labor. No unit shall force employees to labor by means of violence, threats or illegal restrictions on personal freedom.

For procedural compliance, the Group strictly follows a sequential process during recruitment, which includes publication of recruitment information, collection of resumes, resume screening, written tests, interviews, background checks, and offer of employment to ensure that there are clear operating norms and standards for each step. Once an individual is selected for employment, the Group enters into a labor contract with the employee within the stipulated time frame, clearly defining the rights and obligations of both parties.

For fairness and transparency, the Group's recruitment information is comprehensive, open, and transparent. Job advertisements, whether published on the Company's official website, recruitment platform, or other collaborative channels, describe information such as job responsibilities and qualifications. For resume screening, written tests, interviews, and other steps, unified and clear selection criteria have been established.

In 2024, Livzon did not experience any incidents of using child labor or compulsory labor; there were no incidents of walkout, shutdown or factory closures aimed at compelling workers to accept new compensation or working conditions; the Company's human resource head office inquired about the labor employment management and complaints of subsidiaries. Over the past three years, there have been no major layoff, nor have there been major merger or acquisition affecting the majority of the Group's employees. During the Year, the Group was involved in six labor dispute cases, of which two were ruled in favor of the Company, three were settled through mediation, and one was concluded with an effective and enforced judgment. The Group terminated its labor contracts through amicable negotiations and mutual agreement whenever dismissing employees.

9.1 EMPLOYMENT *(continued)*

9.1.1 Compliant employment *(continued)*

Flexible employment

For the management and care of workers in flexible employment, the Company adheres to a people-oriented approach and fully implements protection to build harmonious cooperative relationships. Through the following measures, the Company provides reliable protection and development opportunities for workers in flexible employment to achieve a mutually beneficial result for both parties.

For standardized employment, the Company enters into a written agreement with each worker in flexible employment to reasonably define the rights and obligations of both parties. This guarantees the rights and interests of workers in flexible employment, such as fair treatment, and clarifies their responsibilities such as completing tasks on time, thus establishing a solid legal foundation for the cooperation.

For remuneration, the Company scientifically determines the workload and labor intensity of workers in flexible employment and ensures that labor remuneration is paid on time and in full.

For safety assurance, the Company prioritizes the safety and health of workers, improves work safety conditions, and equips them with protective equipment and labor protection supplies. The Company strengthens training on safety awareness, protection knowledge, etc. to improve the safety awareness and emergency skills of workers in flexible employment.

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

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

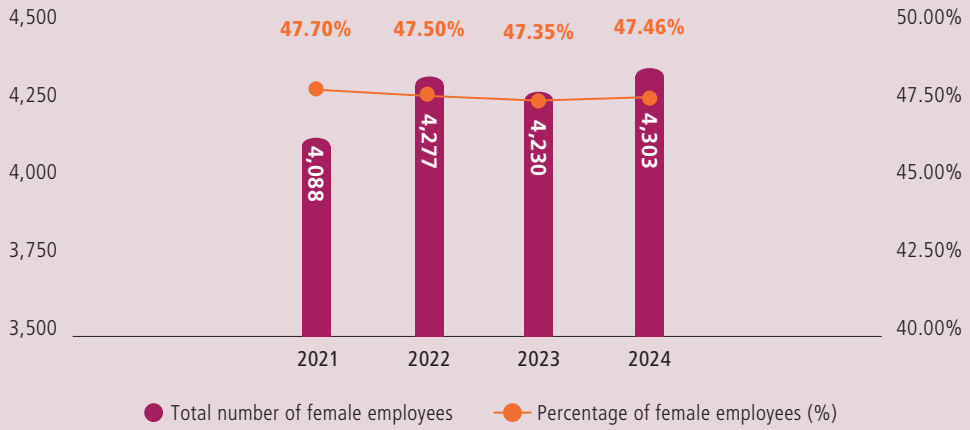
9.1 EMPLOYMENT *(continued)*

9.1.2 Diversity and inclusion

Livzon understands that the diversity and differences of its employees are the most valuable assets of the Company and always treats every employee with respect and appreciation. We are committed to creating a warm and caring work environment where every employee feels accepted and respected. At the same time, we build a broad and promising career development platform for employees, providing equal opportunities for them to fully showcase their talents, maximize their personal value, and progress hand-in-hand with the Company.

The Company's ESG committee is responsible for reviewing the diversity system, surpervising the Group's overall diversity performance, and discussing future plans. The human resource head office of the Company regularly reviews the implementation of the Group's diversity work, and counts and collects relevant quantitative data. It also prepares diversity reports and submits them for review to the ESG committee to ensure the proper progress of diversity related work.

Livzon's Employee Distribution by Gender from 2021 to 2024



9.1 EMPLOYMENT *(continued)*

9.1.2 Diversity and inclusion *(continued)*

Diversity measures

We actively promote diversity and inclusion in our hiring and day-to-day operations, and implement diverse incentives:

Hiring and employment

We carry our hiring activities in the principle of fairness, impartiality and openness. We recruit and assign talent based on job qualifications and candidate's ability, regardless of gender, age, ethnicity, race, nationality, religious belief, and other background.

The Company strengthens the management of hiring information. Our job postings include various diversified welfare and describe only the job qualifications and skill requirements. At the stages of screening of resumes by human resource department, decision making by employing department, etc., we minimize barriers to diversity and avoid imposing higher and more employment requirements on women than men.

Day-to-day management

We believe the degree to which diversity is valued by management is a key driver of diversity.

We ask management officers to lead by example, be proactive in creating a diverse and liberal work environment, and pay real attention to the needs of staff, so that every employee can truly feel the humanistic care of the Company. We provide targeted training for management officers of diversity to provide guidance on practical actions which managers can take in actual management and enhance their leadership skills.

Training and activities

In our day-to-day operations, we strive to create a diverse work environment where all types of staff feel accepted and recognized. We cultivate awareness of diversity and pluralism and build a corresponding cultural philosophy. To this end, we carry out activities and training for our staff of diversity to enhance their understanding of diversity and create a liberal workplace atmosphere.

During the Year, we provided diversity training for 98% of our employees. Employee satisfaction with the training reached 89.4%. The training covered the essence and mechanisms of diversity, the importance of diversity, personal exploration and action on diversity, etc., so as to achieve the effective dissemination of the concept of diversity.

9.1 EMPLOYMENT *(continued)*

9.1.2 Diversity and inclusion *(continued)*

Diversity measures *(continued)*

Welfare and holidays

We strictly observe the Special Regulations on Labor Protection of Female Staff and specify in the employment system that female staff 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 staff returning to work after giving birth, and provide paternity leave for male staff. We have added special items such as breast cancer screening and cervical cancer screening to the medical check-up of female staff over 35 years to better protect their health and give them full care.

We respect the customs and culture of our foreign staff and minority staff. In addition to the Company's holidays, we ensure that they enjoy their respective ethnic cultural festivals.

Anti-discrimination and anti-harassment

The Group has zero tolerance for discrimination, rejects all acts of discrimination and prejudice, and strictly forbids any form of harassment in the workplace. We do our best to identify discrimination and harassment and have a clear process for reporting complaints and remedial or punitive measures for discrimination and harassment. To this end, we encourage relevant personnel to report instances of discrimination and harassment to their supervisors or the human resource department as soon as possible so that we can investigate and tackle them to reduce future instances.

Where discrimination and harassment do exist after investigation, we will communicate with the involved staff and actively take measures to remedy their violations. For all kinds of violations, we will judge according to the severity of the misconduct and implement measures such as warnings, demerits, and termination of labor contracts according to regulations. Suspected offenders, in particular, will be transferred to the relevant judicial organs for serious treatment.

9.1 EMPLOYMENT *(continued)*

9.1.2 Diversity and inclusion *(continued)*

Diversity measures *(continued)*

Case: Diversity training for the management

In October 2024, the Company carried out a special training on "Diversity of the Management" for the management through an online format, which involved all managers of the Group. The training covered DEI concepts, the impact of diverse cultures, diversity management in corporate governance, etc. This training effectively helped managers deeply recognize the importance of diversity to the enterprise, better understand and respond to the challenges of diversity, and implement the philosophy of diversity in their work.

Data: Training participation rate of female staff

- Fresh graduate training: 68% for female staff
- Intern training: 56% for female staff
- Employee growth training: 48% for female staff
- Career enhancement training: 48% for female staff

9.1 EMPLOYMENT *(continued)*

9.1.2 Diversity and inclusion *(continued)*

Diversity measures *(continued)*

Case: Diversity events

- Embroidery workshop – "Stitching feminine grace, weaving a better life"

  To reflect the Company's deep care and respect for female compatriots, enrich their leisure cultural life, and enhance team cohesion, Shanghai Livzon specially planned the embroidery workshop of "Stitching feminine grace, weaving a better life" in 2024. This unique embroidery event not only allowed participants to appreciate the profound cultural heritage of traditional Chinese embroidery, but also showcased the wisdom and elegance of women in the new era through the interweaving of needles and threads. This event aimed to let female staff experience the charm of traditional culture through learning and practicing traditional handicrafts amid their busy work schedules, demonstrate their delicacy and talent, and promote the communication and understanding among colleagues, thus collaboratively creating a harmonious and warm corporate culture atmosphere.

- Greetings on the International Women's Day

  As the 2024 International Women's Day approached, Pharmaceutical Factory extended holiday greetings to all female staff and presented each of them with a small gift and a greeting card. This event aimed to allow staff with different cultural backgrounds to feel the warmth and care of the company, create a positive organizational atmosphere, and demonstrate the company's diversity and pluralism and its corporate culture of "happy life, happy work".

- Women's Day themed event

  In March 2024, Ningxia Pharma held the Women's Day themed event of "Spring blossoms, March and you", where female staff showcased their charm through the craft of making round fans. Additionally, female staff played games such as life-size Monopoly to enhance the festive atmosphere and strengthen interpersonal relationships. At the end of the event, their received flowers and exclusive Women's Day walfare. This event embodied the concept of gender equality, promoted understanding, respect, and cooperation between genders, and contributed to building more harmonious social relationships.

9.1 EMPLOYMENT *(continued)*

9.1.2 Diversity and inclusion *(continued)*

Diversity measures *(continued)*

Case: Anti-discrimination training

In October 2024, the Company provided online and offline training for all staff of the headerquarters on anti-discrimination, harassment, and gender equality. The training not only elaborated on the definitions and types of discrimination and harassment but also listed manifestations of discriminatory and harassing behaviors in personal life and work. It aimed to regulate individual workplace behavior and collectively create a fair and harmonious atmosphere.

With a satisfaction rate of 88%, staff offered many suggestions on related work. We will take improvement actions based on these suggestions, trying best to create an equal and liberal working environment for staff.

Diversity of the Board

The Company deeply recognizes and values the critical role of a diverse Board in its corporate development and regards Board diversity as one of the core elements in maintaining competitive advantages and driving long-term 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. The nomination committee is responsible for reviewing the Board diversity policy on an annual basis to ensure that it is working effectively.

The Company's Board has a balanced and diverse composition, composed of 11 members aged between 42 and 69 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.

9.1 EMPLOYMENT *(continued)*

9.1.3 Retention of talent

Livzon actively implements talent retention of projects and tries its best to reduce employee turnover from various aspects such as remuneration and welfare, education and training, and employee communication. During the year, the employee turnover of the Group was 10.38% (2023: 13.45%).

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 staff with competitive remuneration and welfare, and give incentive bonuses in line with job characteristics;
- Strengthen onboarding training for new staff 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 staff's needs and try to meet them, and assist staff in solving difficult problems;
- Actively improve the working environment, address their concerns about the working environment, and create an activity center that staff enjoy, providing a foundation for happy work and happy life.

9.2 TALENT MANAGEMENT

Focused on talent development, Livzon has made continuous efforts to strengthen talent development scheme 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 talent groups in different fields, we develop targeted training plans and strive to build a professional and innovative workforce as a core competitive edge for Livzon's development.

9.2.1 Employee training

Livzon believes that adequate training resources are a solid foundation for staff to achieve personal development. The Group uses the Livzon Business School as its core platform to build an all-round and diversified employee training system, empowers staff on demand through a learning model that combines online and offline forms and full integration of internal and external resources, and continuously stimulates organizational vitality. In accordance with the internal system, we standardize training management and complete internal and external training supporting resources in order to ensure the full-process and routine operation of training projects, systematize and institutionalize employee training, and keep building a workforce that matches business development needs.

During the Year, we provided employees with all-round and multi-dimensional training, including general training and professional skills training. The training projects were rich and diverse. During the Reporting Period, each employee of the Group had an average of 102.3 training hours.

Onboarding training

The Group meticulously planned the training project for new staff and implemented a "180-day tracking project". The project was 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. We carried out 8-levels of training courses for staff to help them equip with a thorough knowledge of the Company's core values, adapt to job requirements and master job skills as soon as possible.

When the new staff's assessment expired, we carried out one-on-one and face-to-face communication and guidance on the training situation, job responsibilities and performance assessment for them during the assessment period, so as to timely understand their feedback and provide incentives such as early transfer, promotion and salary adjustment to those with good performance.

Case: Graduate training

In 2024, the Company designed a year-long training project in three stages under the theme of "Welcoming New Talents at Livzon: Creating a Bright Future Together for the Pharmaceutical Industry" for graduates, following the concept of "1-2-6 graduate growth Ladder". Centered around aspects such as cultural systems, role transitions, and competence enhancement, the project comprised offline intensive training, outdoor development, online fragmented learning sessions, offline one-on-one mentorship, and debriefing and mentor evaluation to help staff deeply understand the Company's values and business strategies.

9.2 TALENT MANAGEMENT *(continued)*

9.2.1 Employee training *(continued)*

Training for business positions

The Group formulates annual training plans for each business department based on the Company's development objectives for the Year and the previous year's performance assessment results. Business departments (such as production, sales, and R&D) provide business position-specific professional knowledge training for staff based on the annual training plans and the evolving needs of business development, so as to deeply align the growth of staff with the development needs of the Company.

- Research and development positions: carry out technical guidelines, experimental skills, pharmaceutical regulations and other skill upgrading courses;
- Production positions: carry out hands-on training on safe production, process regulations, machine operation and other knowledge;
- Sales positions: carry out product knowledge, compliance promotion, communication skills and other skill upgrading courses.

In addition, each department has a specific training fund in its annual budget so that staff can attend external professional skills training according to business needs.

Case: Training for research and development positions

In 2024, the Company's research institute carried out training for staff in the R&D system on SOP, laboratory management procedures, equipment and instrument operation skills, etc. to improve their experimental and data analysis skills. Training methods included hands-on practice, course training, corporate mentoring and coaching, practical drills, written assessments, skills competitions, etc. The number of participants was 106, and the training duration was 1,796.5 hours.

9.2 TALENT MANAGEMENT *(continued)*

9.2.1 Employee training *(continued)*

Management and leadership training

To drive the steady development of the Company, Livzon always attaches importance to the improvement of management ability and strives to build a high-caliber management team to inject strong impetus into the development of the enterprise. We continued to empower managers, improve the capability model of key positions, and carried out various forms of management training to help staff acquire a wealth of management knowledge and thus improve the corporate management level.

During the Year, the Company continued to maintain and update the talent advancement system, including Young Leaders Project, learners' growth tracking, and other key tasks. In the meantime, the Group promoted and increased the salaries of top-performing staff in terms of overall ability and professional skills, and regularly assessed their performance and progress and provided responses and suggestions to aid their continuous growth and skill enhancement.

We provided diverse management training for junior staff, executives, junior management, middle management and senior management to enhance management effectiveness. During the Year, the total duration of management and leadership training of the Group amounted to approximately 107,555 hours, involving 4,683 staff, of whom 47.03% were female staff.

Cases of management and leadership training

- During the Year, to discover and cultivate a group of talented young managers with potential to support the strategic and business growth of the enterprise, the Company continued its second Young Leaders Project, and a total of 35 persons successfully completed their studies. Courses included next-generation management, scientific decision making and leadership, time management and productivity improvement, lean and fine management introduction, etc.

  To effectively measure the learning outcomes of staff, we provided case discussions, after-class assignments, and examination and evaluation during the training, achieving a 100% participation rate in case discussions and assignment completion. The Young Leaders Project improved the leadership awareness of the students and effectively developed their abilities to efficiently complete tasks, delve into research, and innovate boldly, laying a solid foundation for Livzon to reserve versatile and compound talents.

- In 2024, Sichuan Guangda carried out training for executives on topics such as "Self-Management and Time Efficiency Management for Managers", "How to Analyze and Solve Problems", "How to Manage Communication and Cross-departmental Collaboration", and "How to Use ChatGPT for Efficiency Management".

9.2 TALENT MANAGEMENT *(continued)*

9.2.1 Employee training *(continued)*

Management and leadership training *(continued)*

Case: Employee development project

Limin Factory

(1) Project name & description: "Lean Operations Management System LPS-II" project

(2) Target/Commercial value of the project: To clarify and refine the responsibilities of workshop managers; optimize and integrate workshop management process forms for standardized daily operations; establish process standards for the selection of team leaders; create ability accreditation standards for team leaders.

(3) Quantitative effect of business value: Clarified responsibilities of production managers, optimized management process, developed seven task objectives/indicators and five guidelines for business segments, and improved management ability of 40 frontline managers, laying an important foundation for the establishment of a lean workshop standardized management system.

(4) Proportion of staff covered by the project: Production department managers and all team members.

9.2.2 Talent development

Talent introduction

The Group focused on the construction of talent team, the establishment of a clear formal talent development strategy, and the scientific prediction of talent demand. On the one hand, we deepened university-enterprise cooperation relationship to broaden channels of talent introduction and enlarged the talent reserve; on the other hand, we fostered a free and equal development atmosphere to consolidate the Company's core competitiveness.

Aligning with its strategic positioning, business expansion trends, and the current state of its talent team, Livzon optimized the structure of its workforce through talent reviews, and role assignment. At the same time, we innovated our talent selection methods and continuously intensify efforts to introduce talents. By leveraging diverse channels, we attracted professionals from various fields, so as to provide solid strategic support for the Group's future talent needs, gained a sustained competitive advantage, and fostered a healthy internal ecosystem where talents are effectively utilized and reach their full potential.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Talent introduction *(continued)*

To enable complementary advantages and mutual welfare in talent training, Livzon established cooperation in terms of talent cultivation, skills training, employment referral, etc., with domestic first-class research institutes and universities, such as the Chinese Academy of Sciences, Jinan University, Sun Yat-sen University, Fudan University, and Shanghai Jiao Tong University, and became the social practice base of many professional colleges and universities, smoothing the channel for talent transfer from schools to enterprises.

The Group actively established several social practice and practice bases, which received student interns from cooperative universities, and actively promoted campus recruitment. During the Year, the Company established cooperative relationship with Chengdu University of TCM, Fujian Normal University, Zhuhai City Polytechnic, among others.

We maintained long-term cooperative relationship with Peking University, Shenyang Pharmaceutical University, and Macau University of Science and Technology and other universities to focus on cultivating staff's professional quality and practical ability through collaborative training projects. Through intensive professional courses, they continuously refined their medical knowledge structure and advanced their professional skills. In addition, the Group actively worked with government departments and schools to build learning platforms and integrate resources to cultivate professional talents suited to the regions where the subsidiaries operate.

Promotion and transfer mechanism

We highly value the talents of each employee, fully recognize the value that they create for the Company in different positions, create free growth space and offer equal opportunities for promotion and transfer for staff. In case of internal vacancies, the Company gives priority to internal staff for their promotion or transfer.

The Company established a multi-directional growth channel covering functional, technical, research and development, promotion, production/operation, and other sequences, fully respecting and supporting staff to choose suitable career growth paths independently. We broadened the career paths of staff, expanded their advancement space, and provided a level-by-level promotion channel for staff in all sequences according to their performance contribution and work ability in the mode of "ladder promotion".

The Company regularly reviewed the construction and reserve of talent team every month, timely collated and publicized internal job information, and encouraged staff to achieve internal promotion through open competition.

9.2 TALENT MANAGEMENT *(continued)*

9.2.2 Talent development *(continued)*

Academic qualifications and credentials support

Livzon supported all full-time employees, part-time employees and contract employees of the Group in obtaining job-related qualifications and credentials in their spare time, and helped employees apply for relevant specific qualifications or nationally accredited professional titles, including professional title promotion projects, vocational qualification promotion projects, and business module training projects.

The Company issued the Administrative Regulations on Employee Learning and Growth to assist all staff of the Group in applying for suitable learning projects according to their own promotion needs. The Company actively collaborated with colleges and universities to conduct school-enterprise cooperation and collaboratively run classes, and actively encouraged staff to pursue self-study examinations, full-time or part-time study, distance education, on-the-job postgraduate projects, professional title assessment, professional credentials, etc. At the same time, the Company took the qualifications and credentials obtained by staff into consideration for promotion and salary adjustment considerations, in order to fully motivate staff to participate in training and study.

At the same time, in accordance with the local government's talent system, the Company actively helped staff apply for local qualification authentication projects for high-level talents, craftsmen, young top-notch talents, industrial innovation and development talents, innovation teams, etc.

Case

- The Company provided all staff of the Group and their families with education promotion platforms from 18 universities as well as an exclusive mechanism for obtaining credentials in 8 skill projects.
- During the Year, to the best knowledge of the Group, a total of 25 employees obtained academic qualification improvement, and 407 employees obtained skills/professional title credentials.

9.2.3 Remuneration and welfare

Remuneration composition

In accordance with the relevant laws and regulations, Livzon formulated systems such as the Remuneration Management System and the Administrative Measures for Remuneration Adjustment, and established a salary system composed of fixed and fluctuating income for all staff, including non-management positions and non-sales positions, with fluctuating income linked to personal accomplishment and the business results of the Company, so as to stimulate the enthusiasm and subjective initiative of staff, maximize the personal value of staff, and effectively give play to the effective incentive role of the salary system for talents.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and welfare *(continued)*

Performance assessment

In accordance with the relevant provisions of the Administrative Measures for the Performance of Functional Head Offices, the Group carrys out quarterly, semi-annual and annual KPI performance assessments on staff. The assessment content includes the staff's business performance, behavioral performance, etc., which serve as the objective basis for the staff's performance bonus distribution, salary adjustment, promotion or demotion, annual advanced selection, and position adjustment.

The Group follows the principles of "objective, fair, and timely feedback" to evaluate the performance of each team and person in a comprehensive and objective manner.

In personal performance management, we use KPIs as a performance assessment method. The basic dimensions of assessment include the completion of key performance indicators, execution capability, teamwork, personal learning and development, etc. Meanwhile, we integrate the assessment system, remuneration system, and employee development system to ensure that employees' efforts and value contributions are appropriately rewarded.

Moreover, the Company also factors performance within a team in personal performance assessment in order to more objectively assess the contribution and value of a person in teamwork. Firstly, we set the team performance goals for each department based on the annual operation goals. Then, we break down the team goals into personal work goals for team members. Finally, following a results-oriented principle, we assess an employee's team performance during his/her personal performance assessment, providing performance summaries and guidance to form an effective performance cycle.

In terms of team performance, we tailor personalized assessment methods for different types of teams. For example, for R&D teams, we set an assessment method with key milestones such as "obtaining clinical trial approvals" and "obtaining manufacturing approvals" as performance goals.

Moreover, we incorporate performance indicators related to risk management into the performance assessment of certain staff. For example, we include performance indicators such as avoidance of risks of production or environmental liability accidents in the performance assessment of the general managers. By including risk management in the scope of assessment, we have effectively strengthened risk prevention capability of the Company.

Finally, we attach importance to providing timely and comprehensive feedback and guidance for staff in the performance management process. The performance assessment process is divided into four stages: performance plan, performance implementation and guidance, performance assessment and interview, assessment appeal and result feedback. At each stage, managers can provide responses and improvement suggestions for staff through various methods. After assessment, the human resource department reviews and summarizes the performance assessment results, gives replies to each department, and requires each department to improve the relevant issues identified during the assessment period.

Equity incentive

In order to continue to improve the long-term incentive mechanism, attract and retain outstanding staff, and fully motivate staff, Livzon has put forward various forms of equity incentive schemes for the Group's key staff, middle management, senior management, directors and staff who have made outstanding contributions to the Company's performance.

For details of equity incentive schemes, please refer to Section III of the 2024 Annual Report of the Company.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and welfare *(continued)*

Benefits and welfare

We are mindful of the well-being of our staff and continue to improve the benefit and welfare packages of staff. In terms of mandatory 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 RMB1,656.49 million (31 December 2023: RMB1,582.87 million).

In terms of non-statutory benefits, we provide extensive non-compensation benefits for all employees of the Group, as detailed in the table below. At the same time, we have special benefits for staff who meet special conditions, such as flexible working practice, working from home, mother and baby room, special health check-up for women, and consolation allowances for staff in desperate need. In terms of statutory benefits, in accordance with national or local regulations, we provide staff with statutory holidays, rest days, sick leave, work-related injury leave, marriage and bereavement leave, prenatal check-up leave, maternity leave, paternity leave, breastfeeding leave, and annual leave.

Non-statutory benefits for all employees of the Group

Housing

- Welfare dormitory
- Rent allowance
- Talent settlement

Convenient living

- Welfare canteens
- Meal allowance
- Commuter shuttle
- Transport allowance

Work support

- Travel allowance
- Communication allowance
- Shift allowance
- Office computer allowance
- External training with pay
- Afternoon tea, fruit, night snack for night-shift staff

Life

- Summer welfare, heat allowance
- Gym
- Various sports courses
- Book corner, English corner
- Employee activity center
- Employee association activities
- Cafe
- Team-building activities
- Fellowship activities

Health

- Occupational health check-up
- Employee welfare for medical check-up

Assistance

- Admission assistance for staff's children
- Employee assistance project
- Maternity/illness/work injury visitation

Holidays

- Holiday allowances or gifts for traditional festivals
- Birthday allowances or gifts for staff
- Lucky draw at annual meetings, back-to-work red packet following Spring Festival

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and welfare *(continued)*

Work-life balance and employee care

Livzon pays high attention to staff's well-being and sense of belonging and actively creates a balanced work-life atmosphere. The Company has set up an employee activity center, a gym, a book corner, and other facilities to help staff relax and recharge.

In terms of enriching the leisure time of staff, the Company regularly holds badminton, basketball, table tennis, and other sports events, and also carrys out various team-building activities, such as fun games, garden parties, and answering lantern riddles at the Mid-Autumn Festival. In addition, the Company encourages staff to develop personal interests. Staff have self-organized clubs, such as dance (yoga) club, badminton club, e-sports club, basketball club, and mountaineering club. The Company strongly supports club activities and provides staff with a variety of choices.

In terms of employee care, Livzon shows equal attention. The Company visits staff who are badly off or sick in hospital and gives Spring Festival relief funds for staff in severe difficulty; on holidays, the Company distributes thoughtful gifts to staff, allowing them to really feel the warmth and care from Livzon.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and welfare *(continued)*

Work-life balance and employee care *(continued)*

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", the Group held a series of wonderful activities. In the field of sports competition, these included the 27th Staff Basketball Game of Livzon Group, the 2024 Jinwan District FTU Cup Staff Basketball Game, the 1st Fun Games of Livzon Group, the 21st Badminton Mixed Team Competition, the 2024 Jinwan District FTU Cup Staff Badminton Game, the 2024 Sanzao FA Cup 8-a-side Football Game, the 20th Staff Mountaineering Team Competition, etc. In terms of cultural and sports activities, these included the 1st Fun Games of Livzon Group, "Livzon Carnival" garden party event, etc. These activities demonstrated the colorful and diverse leisure time of Livzon people in an all-round way.

9.2 TALENT MANAGEMENT *(continued)*

9.2.3 Remuneration and welfare *(continued)*

Work-life balance and employee care *(continued)*

Case: Carnival event

As the Company approached its 40th anniversary, the 2024 "Livzon Carnival" garden party event led by the Party, labor union and Communist Youth League organizations of the Company and organized by the labor union grandly opened in October 2024 at the plaza outside the headquarters building of the Livzon Industrial Park.

This annual cultural celebration meticulously planned a variety of fun games, including "blindfold and paste facial features", three-legged race, and treasure ring toss. Participants actively competed, and the atmosphere at the event was lively. The event also featured a wide range of local delicacies and a children's playground. Starting promptly at 6:00 PM, the event lasted nearly 3 hours, allowing staff and their family members to leave with great memories.

9.3 EMPLOYEE COMMUNICATION

Livzon always places great importance on communication and exchange among staff and highly respects the opinions and suggestions of every employee. We have actively established an equal, harmonious, efficient, and transparent communication bridge, as we are committed to creating a high-quality communication environment where staff can express themselves freely and without any concerns.

9.3.1 Complaint reporting procedures

Livzon valued the protection of employees' rights and interests and established a smooth and confidential complaint reporting mechanism, and kept complainants and relevant information strictly confidential. The Company has formulated the Employee Complaint Management System, which allows all parties concerned to file complaints against violations of human rights, labor rights and other human resources-related matters. The Company implemented necessary measures to protect the personal safety and legitimate rights and interests of complainants.

According to the system, complainants can be appealed through telephone, WeChat, email, on-site visits, and suggestion boxes. The human resource departments of the Company and its subsidiaries are the complaint acceptance center, which are responsible for recording, acceptance, investigation, processing and follow-up of complaints. The human resource head office of the Company is responsible for supervising the Group's complaint handling work, regularly carrying out statistical analysis and summary of the complaint handling situation, and reporting to the ESG committee.

The complaint handlers shall do a good job of confidentiality when handling complaints by keeping complaint materials and records as confidential documents. In case of disclosure, the Company will deal with it seriously.

9.3.2 Communication of labor union

At Livzon, the labor union is a key bridge between management and ordinary staff. In order to promote mutual understanding between the enterprise and our staff and enhance their sense of corporate identity, the Company's labor union gives full play to its bridging role. It holds workers' representatives conference every year to maintain close communication with staff. It always adheres to the purpose of serving the staff wholeheartedly, striving to enhance welfare for staff and deliver results for their well-being.

During the Year, 100% of the Group's staff participated in labor unions and signed collective contracts.

Case

In March 2024, the Company's labor union organized the 2nd member representatives conference of the 7th Labor union Committee of the Group, which deliberated and voted by secret ballot on the Fund Use System of the Labor union Committee of Livzon Group, the Regulations on Employees' Love and Mutual Assistance Fund of Livzon Group, and the proposal submitted by the marketing head office for the Implementation of an Irregular Working Hour System.

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey

In 2024, in order to investigate employee satisfaction, the Company invited an external third-party professional organization to carry out a survey on employee engagement with reference to Gallup's influence model based on 16 driving factors, such as organizational support, work-life balance, career development opportunities, diversity and pluralism, performance management, and employer brand.

In 2024, the content of the employee engagement survey included job satisfaction, purpose of work, happiness, stress, etc. The overall engagement score was 80%, a 5% increase from the previous year, surpassing the national average by 7 percentage points and the pharmaceutical industry level by 3 percentage points.

- The scores across 16 engagement dimensions showed improvement, with high levels of employee satisfaction observed in dimensions such as collaboration, employer brand, diversity and pluralism, and decision-making.
- There was a general increase in the scores of all engagement drivers: Scores increased by 11% for employer brand, 9% for customer orientation, 6% for job content, 6% for organizational support, 6% for personnel and allocation, and 6% for performance management.
- Engagement scores for 14 subsidiaries exceeded the pharmaceutical industry level.

Covering all permanent employees

Employee response rate

100%

Overall engagement score

80%

9.3 EMPLOYEE COMMUNICATION *(continued)*

9.3.3 Employee engagement survey *(continued)*

To enhance employee engagement, we carried out improvement activities in the order of priority optimization, secondary optimization, and continuous improvement, and attained positive results, as detailed in the table below:

Priority	Key dimensions	Improvement outcomes
Priority optimization	Career development opportunities	• A certain proportion of participants in the backup talent training project were promoted, figured out the direction of their vocational skills improvement, and enhanced their management capabilities. • Improved staff's self-awareness and professional skills, and encouraged staff to explore their careers aligned with career promotion channels and achieve career development breakthroughs.
	Rewards and recognition	• Enriched welfare and stimulated employee motivation for self-improvement. • Increased staff's confidence and self-efficacy, set examples for teams and departments, and motivated staff to pursue higher goals.
Secondary optimization	Work-life balance	• Carried out a series of activities to provide staff with opportunities to release stress and create chances for interaction with relatives. • Through AI and office system assistance, optimized the work flow of staff to improve their productivity.
	Employer brand	• Through social welfare activities and internal publicity, made staff aware of Livzon's social responsibility, values, and the ways of practicing them to strengthen their sense of belonging.
	Personnel and allocation	• Developed versatile skills of frontline staff to adapt to changes, promoted outstanding frontline staff through internal competition, optimized the talent team, and injected new vitality into frontline team management.
Continuous improvement	Customer orientation	• Ensured that customer opinions were regularly solicited and maintained smooth channels for soliciting opinions. • Improved the service and responsibility awareness of sales personnel, and ensured stable service quality regardless of deadlines.

9.4 OCCUPATIONAL HEALTH AND SAFETY

The Group adheres to the EHS (Environment, Health and Safety) values of "Put life first, prioritize safety, follow regulations and laws, protect the environment", instituted an EHS policy, and established quantitative targets of "zero accidents and zero injuries". The Group is focused on continually improving the performance of the occupational health and safety ("OHS") management system.

We strictly abide by relevant domestic laws and regulations and the OHS management system issued by the International Organization for Standardization (ISO). We have set a series of OHS systems and the Environmental, Occupational Health, and Safety Management Policy (including the OHS policy), which, along with the related systems, cover all enterprises, employees, and contractors of the Group.

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. At the same time, we integrate OHS standards into procurement and contract terms to ensure that third-party partners strictly comply with our OHS policy.

The Group actively implements the requirements of various provisions of the OHS management system, clarifies priority tasks, develops and executes detailed action plans, continuously improves the risk assessment and prevention and control mechanism, and strengthens emergency response capabilities. As at the end of the Reporting Period, all manufacturing enterprises of the Group had been certified to GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System certification, with a certification rate of 100%. In particular, 7 manufacturing enterprises obtained the work safety standardization certificates.

The ESG Committee (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 targets, developing work plans, and supervising and reviewing the implementation of various measures. To ensure effective policy implementation, the Company and its subsidiaries are equipped with dedicated OHS management teams to provide a solid guarantee for creating a safe and healthy working environment for all employees. During the Year, with the continuous development of the Company's business, new challenges and higher requirements emerged in areas such as work safety, environmental protection, and employee occupational health protection. To further strengthen the internal management of the enterprise, we developed the Regulation on the Administration of Safety, Environmental Protection and Occupational Health Appraisal during the Year. This regulation, centered around multi-dimensional assessment criteria, covers specific areas such as investigation and treatment of safety hazards, environmental pollution prevention and control measures, and employee occupational health protection, which further improves the Company's safety, environmental protection, and occupational health management levels, lays a solid foundation for the Company's sustainable development, and creates a safe, stable, green and healthy working environment.

The Company always adheres to the safety philosophy of "zero accidents and zero injuries", and annually evaluates and reviews the achievement of OHS targets on a regular basis. During the Reporting Period, the Group completed 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. We have also emphasized to all employees through regular safety training the potential safety hazards and preventive actions to prevent re-occurrence of similar accidents.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

During the Year, to further strengthen the Company's occupational safety management system, improve ability to prevent and control risks, and effectively safeguard employees' life safety and the Company's stable operations, the Company conducted the identification and assessment of occupational safety risks in an all-round manner and though multiple measures.

- **Conducting EHS audits:** 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. During the Reporting Period, the Company conducted internal OHS audits on all manufacturing enterprises of the Group in accordance with EHS standards and norms. The scope of the audits covered production process, operation of equipment and facilities, implementation of safety management systems, etc.

- **External expert inspections:** The Company specially engages senior safety experts from the industry to conduct inspections inside the enterprise. These experts, with substantial experience and professional knowledge in occupational safety management, conduct in-depth field investigations at production frontlines. After meticulous examination of all parts of production and work zones, they propose targeted improvement suggestions to further improve the company's safety management level.

- **Cross-checks of subsidiaries:** Each subsidiary selects experienced and professionally competent personnel to form an inspection team, which then visits other subsidiaries to conduct inspections, so as to promote exchange of experience and mutual supervision between subsidiaries. This approach not only allows subsidiaries to acquire excellent management experience of other sister companies, but also enables them to identify their own problems from different perspectives, effectively avoiding the limitations in the process of self-inspection.

During inspections, we focused on key tasks such as identification of hazard sources within the enterprises. We also thoroughly reviewed the risk identification records of the Company's subsidiaries, verified the rationality of risk level classification, and checked whether the hazard investigation and management had formed an effective closed-loop management: from the discovery, reporting, correction to review of hazards, every stage was under strict control. For identified problems, we issued correction notices in a timely manner, specifying correction requirements, correction deadlines and responsible persons to ensure timely and effective resolution of problems. This series of practical and effective actions has given us a clearer and more comprehensive understanding of the Company's occupational safety risks, and provided a strong basis for the subsequent development of targeted risk prevention and control measures and continuous improvement of safety management.

During the Reporting Period, Livzon invested an aggregate of approximately RMB34.25 million in OHS, the cost input classification is as follows:

Investment in technology improvement for work safety	RMB15.39 million
Investment in operation and maintenance for work safety	RMB13.56 million
Investment in occupational health	RMB5.31 million

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.1 Occupational health

Livzon has formulated the Administrative Procedures for Occupational Health, and upholding the principles of "prevention-oriented, comprehensive planning, adapting to local conditions and comprehensive management", continuously optimizes production equipment and occupational disease protection facilities, striving to provide a healthy and safe working environment for all employees.

During the Reporting Period, the Group recorded no new occupational diseases, suspected occupational diseases or occupational contraindications.

- **Occupational hazard investigation**

  Each manufacturing enterprise of the Group classifies occupational hazards based on their magnitude of impact and commissions a 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.

- **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 protection 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.

- **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.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.1 Occupational health *(continued)*

- **OHS training**

The Group attaches great importance to training and publicity on OHS, and regularly provides targeted OHS training for employees and relevant parties: personnel who are newly recruited, change positions and return to positions need to attend pre-job training and pass the assessment before officially taking up their jobs, and special operation personnel must take up their jobs with certificates. Employees on duty receive training on occupational health hazard prevention and control, and experts provide mental health lectures and psychological rescue knowledge. For contractors and relevant parties, the Group conducts OHS training in accordance with the Contractor Safety Management System to fully protect employees' physical and mental health and work safety.

Case: Combustible gas centralized alarm system upgrade

Limin Factory upgraded its monitoring system to transmit alarm signals from combustible gas detector control panels installed in workshops and departments to the factory duty room's fire monitoring center. These signals were connected to the monitoring host of the combustible gas alarm system, enabling centralized monitoring of alarm information with 24-hour manned surveillance. Following project completion, combustible gas detectors in the TCM extraction workshop and hazardous material storage of Limin Factory are networked to the duty room fire monitoring center, achieving centralized monitoring and timely alarm response.

Livzon always cares about the health and safety of its employees by continuously optimizing the occupational health protection for employees, 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 2024 (person)	0
Number of work-related fatalities of contractors in 2024 (person)	0
LTIFR of employees in 2024 (LTIs/million hours worked)	0.26
LTIFR of contractors in 2024 (LTIs/million hours worked)	0.00

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety

Livzon adheres to the work safety policy of "safety first, prevention foremost, comprehensive governance, total involvement, risk control and continuous improvement", and has developed a series of work safety systems. During the Year, to improve the overall safety management level of the Group, the Company organized cross-checks among subsidiaries, and developed detailed plans defining the scope, content, and procedures of these cross-checks. Meanwhile, the Company engaged senior work safety experts to analyze and evaluate identified risk points, provided correction suggestions, and conducted safety training for management officers and employees to improved the overall safety management level.

Throughout this process, we strictly controlled hazard sources, established detailed hazard source inventories, designated responsible persons and control measures, and conducted regular inspections and assessments. We implemented a "zero tolerance" approach to work safety hazards identified by investigation, created hazard correction records specifying correction requirements, deadlines, and responsible persons to ensure timely and thorough elimination of hazards and provide a solid safety guarantee for the stable production and sustainable development of each subsidiary.

Moreover, we regularly review the work safety status of each enterprise of the Group and relevant stakeholders, implement work safety management requirements, and rectify any problems identified in a timely manner. In addition, the Company requires each manufacturing enterprise to implement a safety responsibility system and strictly control production processes. We identify and control danger points by upgrading equipment and introducing automation systems to prevent work safety accidents caused by human errors and ensure the establishment of work safety. In particular, Ningxia Pharma's work safety liability insurance covers all its employees.

As at the end of the Reporting Period, 6 manufacturing enterprises of the Group had conducted HAZOP (Hazard and Operability) analysis.

Laboratory safety management

We have established a biosafety committee, implemented strict supervision of biological laboratory safety, and developed comprehensive biosafety management systems. We conduct quarterly self-inspections. Meanwhile, the Company develops contingency plans for biosafety accidents and organizes drills annually to ensure that relevant personnel are familiar with handling procedures. In terms of biological laboratory management, we strictly regulate personal protection, sign warning, facility configuration, and waste management. We require laboratory personnel to have regular check-ups and maintain health records, and equip the laboratory with sufficient emergency supplies and special equipment to fully ensure experimental safety.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety *(continued)*

Laboratory safety management *(continued)*

Additionally, we have established documents such as the Training Management System. We conduct biosafety training for personnel involved in experiments, who are allowed to take up their jobs only after passing the appraisal. We also conduct monthly training on job-specific operation knowledge to continuously improve the safety awareness and operation skills of personnel and ensure effective implementation of laboratory safety management.

During the Year, Pharmaceutical Factory successfully passed the biosafety inspection of pathogenic microorganism laboratories in Zhuhai in 2024 by the Health Bureau of Zhuhai.

Case: Automatic foam fire suppression system project

In 2024, to further improve the safety assurance level of its tank farm, Livzon Hecheng invested RMB1.25 million to upgrade the fire safety of the tank farm by adding an automatic foam fire suppression system. This upgrade included automatic fire alarm field devices that accurately detect fire hazard and promptly alert; automatic foam sprinkler systems that rapidly activate during emergencies and provide cooling, oxygen deprivation, and chemical suppression to the tank farm to effectively extinguish tank farm fires and incipient ground liquid fires; outdoor fixed manual fire foam cannon monitors with long-range firefighting capabilities to safeguard against large-scale fires. Following project completion, Livzon Hecheng's fire alarm equipment can respond quickly to gain critical time for emergency handling; the collaborative operation between sprinkler systems and fixed foam cannon monitors greatly improves fire suppression efficiency. This upgrade effectively reduces the fire risks of Livzon Hecheng, improves the fire safety performance of the solvent tank farm, provides reliable protection for solvent storage and handling, and supports stable production and operations of the company.

Management and control of safety risks

We regularly identify and analyze hazard sources in production and R&D 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

We prepare comprehensive contingency plans, special contingency plans, and on-site disposal plans covering all employees, conduct regular training and emergency drills for relevant personnel, and further improve contingency plans and disposal plans based on the drill results.

Hazard investigation and management

We conduct regular hazard investigation for all factories of the Group. 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.

9.4 OCCUPATIONAL HEALTH AND SAFETY *(continued)*

9.4.2 Work safety *(continued)*

Safety training and education

We prepare practical safety training materials according to job characteristics and needs, conduct targeted safety education, and organize safety education and publicity for employees at multiple levels. Specifically, 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 training for special operational personnel to ensure that they work with certificates. At the same time, we provide work safety training for all relevant personnel involved in construction from external parties, so as to ensure operation is in compliance with regulations.

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. 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, and collectively promote the building of a safety culture.

Case: Watching safety awareness videos and safety knowledge competition

In 2024, to strengthen employees' understanding of the serious consequences of hazardous chemical accidents, Ningxia Pharma organized all its employees to watch "Safe Passage" and "Safety Awareness Video on Major Hazardous Chemical Accidents". Based on real cases, these educational videos visually demonstrated accident processes and the resulting huge losses through archival footage. Ningxia Pharma arranged discussion sessions guiding employees to deeply analyze the causes of accidents and summarize experiences and lessons based on their work realities. Through this case-based approach, Ningxia Pharma effectively strengthened employees' safety red line awareness and bottom-line awareness, so that they would integrate safety concepts into every part of their work.

Additionally, Ningxia Pharma held a work safety knowledge competition covering hazardous chemical storage, transportation, usage standards, work safety laws and regulations, emergency rescue knowledge, etc., further stimulating employees' proactive safety knowledge learning.

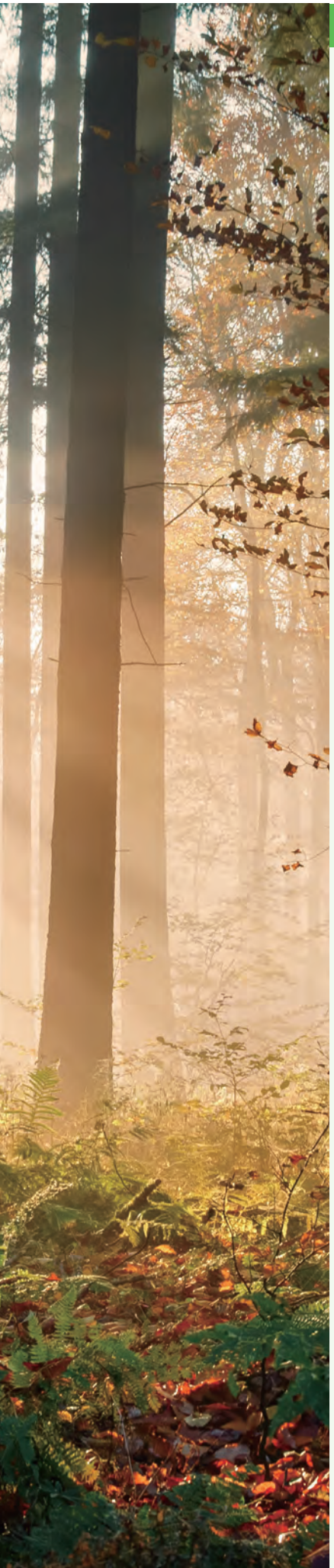
Contractor safety management

Livzon is acutely aware of the importance of contractor safety management. During the Year, we referenced more relevant laws and standards issued by the State to update the Contractor Safety Management System, thereby further improving the applicability and completeness of the system.

We implement safety management requirements with contractors. We provide safety training for all personnel involved in construction from external parties, supervise their construction, establish safety files, and conduct regular safety performance appraisals to improve the safety management level of contractors.

10

GREEN OPERATION



Livzon has taken environmental protection as its own responsibility, adhering to green and low-carbon development while actively fulfilling its corporate social responsibility. Livzon strictly abides by the Environmental Protection Law of the PRC and other related environmental laws and regulations. We have revised the Environmental, Occupational Health, and Safety Management Policy with reference to the standard requirements of the ISO 14001 Environmental Management System, and kept optimizing our environmental management system and improving our environmental management levels and ability to perform responsibilities. We have implemented low-carbon concepts in each stage of production and operation in response to the national dual carbon goals, contributing to the sustainable development of society and the environment. At the same time, we have established an EHS management system, specifying the responsibilities of EHS management at multiple levels, and continuously increased investment in environmental management. In addition, we have conducted practical activities such as energy conservation, emission reduction and environmental protection training to promote and implement environmental protection awareness, practice the concept of low-carbon development, and drive low-carbon, green and high-quality development.

We have a well-established environmental management system and conduct coordinated management of wastewater, waste gas, waste and noise through the EHS department. We continuously improve environmental management effectiveness through continuous optimization of treatment processes and regular monitoring and evaluation. To ensure that our management system remains up-to-date, we track the latest environmental regulations on a monthly basis. Based on the actual operations of the Group, we promptly adjust and improve relevant systems and ensure that environmental management requirements are fully implemented.

Moreover, the Company has established a series of comprehensive internal management systems for each key area of environmental management (such as air emissions, water discharges, waste, noise and energy), including the Procedures for Air Emission Management, the Procedures for Wastewater Management, the Procedures for Solid Waste Management, the Procedures for Noise Emission Management, the Procedures for Energy Management, etc., and requires each enterprise of the Group to strictly abide by and implement them. At the same time, by signing environmental protection target and responsibility statements, manufacturing enterprises are aware of annual key environmental targets and specific implementation plans, and review and evaluate the achievement of their targets 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	RMB63.45 million
Investment in upgrade of environmental protection facilities	RMB11.01 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 improving the environmental management system, and promotes the standardized and systematic development of the Group's EHS work. By establishing and improving the environmental management system, we strictly control the discharge of pollutants and increase the efficiency of resource utilization. At the same time, we have established a comprehensive supervision and assessment mechanism to regularly review the operation status of the environmental management system of each production base and assess the achievement of environmental management indicators to ensure the continuous and 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/ISO 14001 Environmental Management System (EMS) (100% certification rate).

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.1 Management structure

To ensure the efficient operation of environmental management system and continuous improvement of EHS management performance, we have established a hierarchical management structure, clearly dividing EHS management responsibilities to ensure that the primary responsibility is effectively implemented, thereby providing a strong foundation for the further promotion of EHS management of the Group.

- Strategy level: 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 the progress.

- Management level: The production technology head office of the Company is responsible for the planning and implementation of the overall EHS work and supervising and guiding EHS-related work of the subsidiaries.

- Implementation level: The subsidiaries have EHS departments responsible for the implementation of energy conservation and emission reduction, three-waste (wastewater, waste gas and solid waste) discharge management, climate risks management, carbon emission management and control, environmental protection technology upgrade and investment assurance, occupational health and work safety, etc.

10.1.2 Certification

The Company has made active efforts to facilitate its subsidiaries to obtain ISO environmental management system certifications, implement cleaner production, apply for accreditation of green factory, etc., in order to strengthens 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) (100% certification rate).

Among all manufacturing enterprises of the Group, 10 had completed the cleaner production audit, 3 had obtained the certification for "National Green Factory", and 1 had obtained the certification for "Provincial Green Factory".

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.3 Regular audit

According to the requirements of ISO 14001 environmental management system, each manufacturing enterprise of the Group operates and maintains the effectiveness of the system in a method of "Plan – Do – Check – Act" (PDCA). Meanwhile, we have established a sound supervision mechanism, regularly conduct internal and external audits to assess the operation status and effectiveness of the EHS management system of each subsidiary and accordingly develop targeted improvement measures to further improve the EHS management level of the Group.

Internal Audit

Livzon has established the EHS internal audit 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, 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, 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 of our manufacturing enterprises that have been certified to ISO 14001 have established a regular audit mechanism: Independent third-party certification institutions conduct supervisory audits once a year and audits of recertification (certificate renewal) once every three years, so as to ensure the standardized and regulated operation of the environmental management system.

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.4 Compensation linked to ESG performance

We have established a mechanism that links ESG performance to compensation. We have included ESG indicators, with a 10% weighting, into the management's performance appraisal. Failure to meet ESG appraisal targets directly impacts the annual performance bonuses of the management. In addition, we extend ESG indicators to the operation performance appraisal of our subsidiaries to ensure the effective implementation of the Group's environmental management requirements, carbon neutrality goal, and green and low-carbon commitments. The details of implementation are as follows:

Appraisal mechanism for ESG Working Team	• Set an ESG indicator (weighted at 10%), covering the achievement of environmental targets and carbon emission reduction goals, and ESG governance effectiveness, in the personal performance appraisal of the members of the ESG Working Team.
	• Failure to meet ESG appraisal indicators will result in proportional deductions from the annual performance bonuses.
Appraisal mechanism for EHS management and subsidiaries	• Set ESG and EHS related appraisal indicators respectively in the operation performance of the head of the Company's EHS department, the EHS management of each subsidiary, and each subsidiary, which include environmental targets and carbon emission reduction goals, ESG governance, and EHS performance.
	• The ESG appraisal of the head of the Company's EHS department carries a weight of 10%, and the amount of EHS bonuses is determined for subsidiaries based on the appraisal score.
Special incentive mechanism for API enterprises	• Due to the relatively high amount of energy consumption and emissions of the API enterprises, the Company has set up special bonuses for API enterprises. Those that achieve the emission reduction targets will receive rewards based on the set criteria, so as to encourage the API enterprises to actively engage in energy conservation and emission reduction.

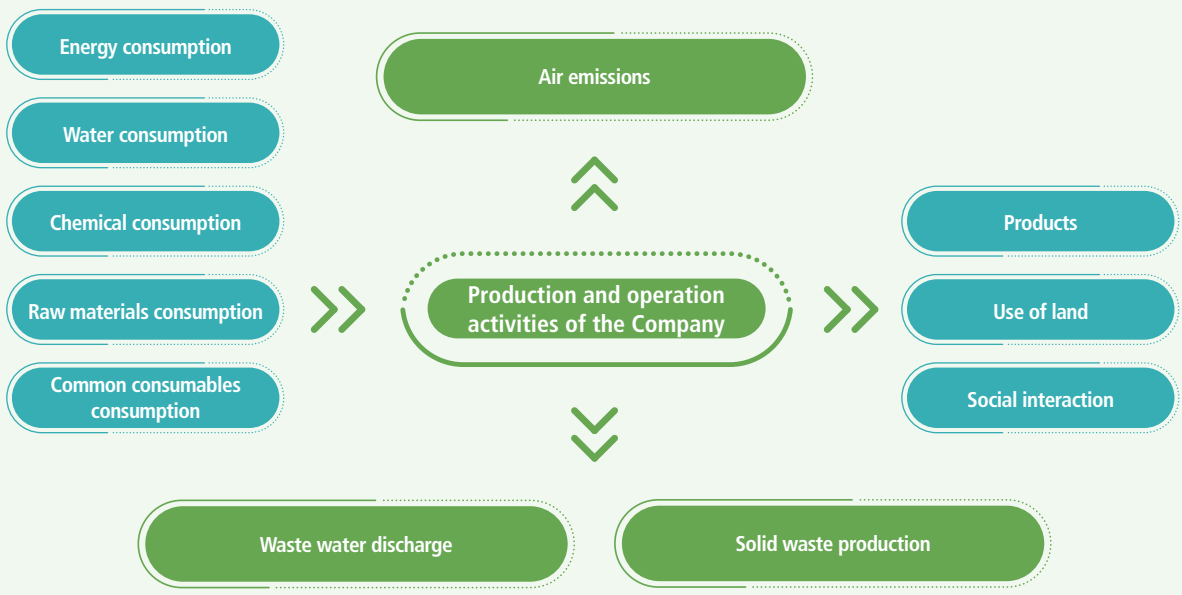
10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

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, and optimize and improve risk control measures. By practicing environmental management, upgrading standards for environmental protection facilities and equipment, and enhancing emergency response capabilities for environmental emergencies, we continuously strengthen our risk prevention and control levels and comprehensively improve our environmental risk control capabilities.

- **Identification of major environmental factors:** By conducting a comprehensive review of the environmental factors that may be involved in production and operation activities and evaluating the risk levels with rating methods, we have formed a list of major environmental factors, and developed corresponding management strategies and control measures to minimize environmental risks and prevent the occurrence of environmental accidents.

Environmental Factors Identification Flow Chart



10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.5 Environmental risk management *(continued)*

During the Year, the Company deeply assessed and actively addressed potential environmental risks in production and operations. To effectively prevent and respond to environmental risks, the Company conducted a thorough environmental risk assessment, and taking into account production processes, equipment, facilities, and management models, the Company accurately identified risks from both internal and external dimensions.

- External environmental risks include damage to facilities and environmental protection equipment due to natural disasters (e.g., rainstorms, floods, and earthquakes), and the impact of accidental emissions from surrounding enterprises on the air quality and water bodies of the Company; internal environmental risks are predominantly associated with production processes, with a focus on the identification and evaluation of the storage, transportation, and use of hazardous chemicals, and the treatment of wastewater, waste gas, and solid waste.

We have identified that environmental risks primarily stem from chemical leaks and abnormal waste discharge. For example, hazardous chemicals such as acetone, methanol, ethanol, and ethyl acetate used in production, if exposed to fire sources, high heat, or static electricity, may cause fires and produce accident wastewater and secondary pollutant gases. If the accident wastewater is not properly treated, it can severely pollute surrounding water bodies. A failure or operation error in air emissions treatment facilities may lead to excessive emissions of volatile organic compounds (VOCs), generating unpleasant odors that may affect the lives of surrounding residents.

To address these possible environmental risks, the Company takes a multi-pronged approach to ensure rule-based and orderly environmental risk management. Specific measures on risk management and control:

- **Conducting regular environment monitoring:** Each of the Company's manufacturing enterprises strictly abides by relevant domestic laws and regulations and conducts regular environmental monitoring work based on its actual conditions to have timely knowledge of the discharge status of pollutants. The monitoring results are quickly disclosed to the public to ensure oversight by regulatory agencies and society.

- **Sufficient equipment and resource assurance:** The Company is equipped with sufficient and applicable emergency supplies. We have stocked materials for handling chemical leaks, such as oil-absorbing mats, sealing materials, and neutralizers, as well as various protective equipment to ensure the safety of emergency responders. Additionally, emergency supplies are regularly inspected, maintained, and updated to ensure they remain in good standby condition. During the Year, the Group's total investment in environmental protection was approximately RMB74.46 million.

10.1 ENVIRONMENTAL MANAGEMENT SYSTEM *(continued)*

10.1.5 Environmental risk management *(continued)*

- **Strengthening emergency response capabilities:** Each manufacturing enterprise of Livzon has set up an emergency response leading team and working team, formulated the Contingency Plan for Environmental Emergency, which covers various potential environmental emergency scenarios, and developed detailed emergency response procedures, such as emergency reporting, command, disposal, personnel evacuation, and environmental monitoring. Furthermore, we have established different response measures and resource allocation plans for environmental emergencies of varying severity, ensuring rapid and effective disposal in the event of an emergency to minimize environmental damage. We conduct regular professional training and emergency drills to improve our emergency response capabilities for crisis events.

As at the end of the Reporting Period, each manufacturing enterprise of the Group had prepared contingency plans for environmental emergencies tailored to their specific circumstances, established their own environmental emergency response organizations, developed environmental emergency response procedures, equipped themselves with comprehensive emergency disposal supplies, and formulated effective emergency protective measures. The Company's contingency plans for environmental emergencies had been reviewed by experts and filed accordingly. Similarly, the Company's environmental monitoring plans had been reviewed and approved by experts before being filed with regulatory authorities, with no major deficiencies identified.

During the Year, the Group did not experience any major environmental incidents, nor did it receive any significant administrative penalties or criminal liability from ecological and environmental departments or other relevant departments due to environmental incidents.

10.2 ENVIRONMENTAL MANAGEMENT TARGETS

Livzon established and published the Environmental Management Targets of Livzon Group for 2021-2025 according to the Reporting Guidance on Environmental KPIs of the ESG report issued by Hong Kong Stock Exchange, with reference to the management practices of domestic and overseas peers and combining its own operation characteristics, in order to achieve the Group's refined management on pollutants discharge and use of resources. This document clearly regulates the quantitative targets of each indicator and action plans which the Group will take to achieve the targets, and specifies the people in charge of each step.

The production technology head office of the Company follows up the achievement of indicators of the Group and its subsidiaries on a quarterly basis, and the ESG Committee regularly reviews the environmental management strategy and performance, provides improvement suggestions, and reports to the Board on a regular basis. Moreover, the Company, based on set environmental management targets, promotes and regularly checks pollutant emissions and discharge and resource utilization.

10.2 ENVIRONMENTAL MANAGEMENT TARGETS *(continued)*

Livzon's Environmental Management Targets for 2024-2025 and Achievements in 2024

Item	Indicator	Targets for 2024-2025	Change in 2024 compared with the base year[Note]
Sulphur dioxide (SO_2)	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Up 57.12%
Chemical Oxygen Demand (COD_{cr})	Amount of emission per RMB10,000 of output value	To decrease by 2.2% compared with the previous year	Down 31.59%
Hazardous waste	Amount of disposal per RMB10,000 of output value	To decrease by 0.5% compared with the previous year	Down 13.05%
Non-hazardous waste	Amount of disposal per RMB10,000 of output value	To decrease by 0.5% compared with the previous year	Down 12.89%
Water	Amount of consumption per RMB10,000 of output value	To decrease by 3% compared with the previous year	Down 14.02%
Electricity	Amount of consumption per RMB10,000 of output value	To decrease by 3% compared with the previous year	Down 2.67%
Ammonia nitrogen	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	Down 39.63%
VOCs	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	Down 7.35%
Nitrogen oxides (NO_X)	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	Up 5.64%
Particulate matter	Amount of emission per RMB10,000 of output value	To decrease by 2.0% compared with the previous year	Down 45.91%

Note: The base year for water, electricity, chemical oxygen demand (COD), sulfur dioxide, and hazardous waste is 2020, while the base year for the remaining five environmental management targets is 2021.

To actively respond to the national dual-carbon goals of "achieving carbon peaking by 2030 and carbon neutrality by 2060", Livzon established the targets for carbon dioxide emission reduction and carbon neutrality (scope 1 & scope 2) in 2021. In 2024, for the first time, the Company conducted a scope 3 greenhouse gas inventory to thoroughly assess carbon emissions in the upstream and downstream value chains of the Company and actively implement the concept of low-carbon operations. During the Year, Livzon Group's total greenhouse gas emissions amounted to 2,246,725.29 tCO_2e, with scope 1 and scope 2 emissions totaling 537,229.11 tonnes, and scope 3 emissions totaling 1,709,496.18 tonnes. (Discrepancies between this inventorying result and Appendix 12.2 arise primarily from improved scope 1 emission source coverage in this carbon inventory process, including scope 1 emission sources such as fire extinguishers, refrigeration equipment, and process-related sources that were previously excluded from the calculation).

10.2 ENVIRONMENTAL MANAGEMENT TARGETS *(continued)*

The Company's carbon dioxide emission reduction targets and their achievement in the Year and carbon neutrality targets are shown in the table below:

Indicator	Targets
Carbon dioxide emissions (Scope 1 & scope 2)	• 2024: To decrease amount of emission per RMB10,000 of output value by 22% as compared with 2020 (The target for 2024 was not met, representing an actual decrease of 14% from 2020)
	• 2025: To decrease amount of emission per RMB10,000 of output value by 26% as compared with 2020
	To achieve carbon neutrality by 2055

10.3 POLLUTANTS CONTROL

The Group strictly abides by environmental protection laws and regulations, comprehensively controls the discharge and emissions of pollutants, strictly supervises waste gas, wastewater, solid waste, etc., and takes measures such as reducing and limiting production for heavy pollution weather. In addition, for new construction, modification and expansion projects, we strictly implement the environmental protection "Three-Simultaneous" system. We regularly engage third-party institutions for environmental monitoring, and proactively accept social supervision to make sure that pollutants are treated in compliance with regulations and discharged after meeting the standards.

According to the requirements of environmental information disclosure, the Group reports on the discharge and emissions of pollutants:

- Major pollutants: Regarding water pollutants, we focus on monitoring key indicators such as chemical oxygen demand, five-day biochemical oxygen demand, ammonia nitrogen, suspended solids, total nitrogen, total phosphorus, and pH; the Group's air pollutants include volatile organic compounds, non-methane total hydrocarbons, nitrogen oxides, particulate matter, and sulfur dioxide.

- Characteristic pollutants: Pollutants involved by the Group include dichloromethane, hydrogen chloride, acetonitrile, and volatile phenols.

- Regarding the management of controlled substances under international environmental conventions, based on the Catalogue of Controlled Ozone Depleting Substances in China, currently the Group mainly uses refrigerants R22 (chlorodifluoromethane) and R123 (1, 1-dichloro-2,2,2-trifluoroethane). During the Year, 2.24 tonnes and 1.3 tonnes of these substances were replenished, respectively, both of which were consumed. The Group did not directly discharge any controlled substances in the Catalogue.

10.3 POLLUTANTS CONTROL *(continued)*

The Group attaches great importance to the potential impact of pollutant discharge on employees and local communities. We conduct in-depth analyses and develop comprehensive risk assessment and control plans. Through continuous technological innovation, strict environmental management, and active risk prevention and control, we have minimized the potential adverse impacts of pollutant emissions and discharge on employees, communities and the ecological environment.

- Regarding employees' occupational health, the waste gas generated during the pharmaceutical manufacturing of the Group contains volatile organic compounds (VOCs), which may pose potential risks to employees' health. Long-term exposure to these pollutants may lead to respiratory irritation, lung diseases, and other occupational health issues. Therefore, the Group has implemented strict occupational health protection measures, including advanced ventilation systems, personal protective equipment, and regular occupational health checks to minimize the risk of occupational exposure for employees.

- For the surrounding communities, the Group's production activities may impact the quality of air and water bodies. Therefore, we have established a comprehensive environmental monitoring and treatment system to ensure that pollutant emissions and discharge strictly comply with national environmental standards, and regularly conduct environmental impact assessments.

- Regarding ecosystems, pollutant emissions and discharge of the Group may lead to ecological risks, such as changes in soil pH and heavy metal contamination. The Company adopts advanced pollution treatment technologies to ensure that waste gas, wastewater, and solid waste are effectively treated and minimize the impact on surrounding ecosystems.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.1 Treatment of air emissions

Livzon strictly abides by relevant domestic 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 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.

At present, the Company's primary waste gas treatment methods include RTO incineration, sodium hypochlorite spraying, water spraying, biphasic hydrogen peroxide spraying, micro-nano bubble spraying, microbial treatment, and other processes or their combination. Each manufacturing enterprise of the Group has established air emission monitoring and management systems, enabling the monitoring and management of various air emissions.

During the Year, the manufacturing enterprises of the Group updated their waste gas treatment devices, eliminated older equipment with long operation life, low treatment efficiency, and high maintenance costs, and introduced new equipment. On the basis of updating the main equipment, the manufacturing enterprises tackled technological challenges associated with difficult-to-treat components in waste gas. For organic waste gas treatment, the Company adopted advanced technologies such as condensation treatment. In addition, we were equipped with efficient condensation equipment to ensure the full condensation and recovery of organic waste gases, and, in combination with adsorption, combustion, and other subsequent treatment processes, we effectively reduced the content of organic pollutants in tail gas to meet the national emissions standards. Additionally, we conducted training on environmental awareness and professional skills for relevant personnel to improve their air emission management concepts and professional capabilities. Through these updates and specialized treatment measures, the manufacturing enterprises made remarkable progress in air emissions treatment.

The Group's air emissions treatment facilities are regularly inspected and maintained by professional teams. We engage qualified third-party testing agencies to sample and test each air emission point monthly. After professional testing, the pollutant indicators of the Group's air emissions are better than the national and local emission standard limits. 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.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.1 Treatment of air emissions *(continued)*

Major Air Emissions Treatment Improvement Cases

Company name	Type of air emissions treatment improvement program	Program description
Fuzhou Fuxing	Equipment replacement and technological upgrade	During the Year, Fuzhou Fuxing constructed a low-temperature refrigeration system for organic solvent tail gas from the low-temperature water recycling workshop to reduce the volume of organic solvent tail gas entering the RTO. Through technical means such as low-temperature cooling and increased heat exchange surface area, the project reduces the volume of tail gas while also reducing solvent usage, resulting in annual solvent cost savings of approximately RMB350 million.
Gutian Fuxing	Equipment replacement	During the Year, Gutian Fuxing improved its air emissions treatment processes by adding air emissions treatment procedures, replacing facilities and equipment, and other means, further improving air emissions treatment efficiency.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.2 Wastewater management

Livzon strictly abides by domestic laws and regulations concerning water pollution prevention and control. The Company has formulated the Procedures for Wastewater Management as the guideline of wastewater management for the whole Group. Taking into account their actual conditions, each manufacturing enterprise has formulated and implemented specialized management systems to continuously strengthen wastewater management and ensure compliant discharge, and continuously improving the proportion of reuse. Each manufacturing enterprise of the Group has designated a specific responsible department for wastewater management. These responsible departments analyze the types, discharge concentrations, discharge limits and other information of wastewater pollutants produced by each manufacturing enterprise and lead the formulation of effective wastewater management measures, taking into account the Company's wastewater management policies.

We operate the wastewater treatment systems in strict accordance with their technological procedures. We conduct daily inspections of each treatment step at the wastewater stations. 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, so as to monitor on a dynamic basis that wastewater is discharged after reaching the standards. Additionally, each manufacturing enterprise of the Group actively cooperates with local bureaus of ecology and environment in the investigation of the implementation of pollutant discharge permits, and regularly monitors discharged wastewater according to the monitoring frequencies required by these permits. We also engage third-party testing agencies to test the wastewater treatment performance to verify the effectiveness of our wastewater management. Through the combination of perfect wastewater treatment facilities and professional operation teams, the Group has achieved effective treatment and control of wastewater during production.

In wastewater treatment, the Company strictly controls wastewater discharge at the source, while continuously optimizing wastewater treatment processes to improve wastewater treatment efficiency and effectively reduce wastewater discharge.

Furthermore, in response to the problem of high-concentration wastewater treatment, the Company has introduced pretreatment devices. The high-concentration wastewater first undergoes pretreatment to improve water quality through a complex treatment process, before entering subsequent treatment processes. This relieves the load pressure on later treatment units and avoids system instability due to the impact of water quality, thus improving the overall wastewater treatment efficiency. The upgraded treatment system ensures stable treated water quality, with pollutant indicators well below national discharge standards. The Company also makes great efforts on technological breakthrough projects of wastewater reuse to effectively reduce total wastewater discharge. Livzon's wastewater and major water pollutants (i.e. COD and ammonia nitrogen) discharge data for the Year are detailed in Section 12.2 of the Report.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.2 Wastewater management *(continued)*

Major Wastewater Treatment Improvement Cases

Company name	Type of wastewater treatment improvement program	Program description
Xinbeijiang Pharma	Technological upgrade	During the Year, Tobramycin production involved a large amount of ammonia water, resulting in an average increase of 70 mg/L in ammonia nitrogen concentration in the influent at the wastewater station. Xinbeijiang Pharma constructed two new nitrogen and phosphorus removal tanks to reinforce the denitrification process, improve the efficiency of ammonia nitrogen treatment, and ensure the discharge of ammonia nitrogen after reaching the standards at the wastewater station.
Jiaozuo Hecheng	Technological upgrade	During the Year, Jiaozuo Hecheng reduced the discharge of fluoride ions in wastewater by making breakthroughs in wastewater treatment processes. This measure not only reduced the fluoride ion content in the workshop wastewater, but also resulted in a monthly consumption reduction of 16.5 tonnes of quicklime and 60 tonnes of polyaluminum chloride, generating an economic benefit of approximately RMB30,000 per month.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.3 Waste management

The Group strictly complies with the requirements of relevant domestic 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 specialized management systems for waste. Meanwhile, each manufacturing enterprise of the Group has established a responsible department for the prevention of environmental pollution from solid waste. These departments are responsible for overseeing waste generation, disposal, transfer, and other processes to make sure all waste is appropriately disposed of.

The Company attaches great importance to the standardized management of waste. In strict accordance with the national laws and regulations, the Company builds special temporary storages of waste and classifies and segregates waste for temporary storage based on its nature, hazard level, etc. After temporary storage, waste is transferred to qualified third parties for treatment. The third parties utilize high-temperature incineration methods and develop advanced treatment technologies to eliminate harmful substances in the waste.

To reduce the waste discharge during the operation, we conduct waste management improvement programs across all operations of the Group every year. During the Year, we increased investment in the application of relevant technologies, conducted in-depth research on waste resource utilization technologies, and tried to reduce waste generation at the source. Through enterprise-university-research institution cooperation, the Company has established close partnerships with university research teams to jointly explore treatment technologies for the harmlessness and reduction of mycelium residue. At present, some technological achievements have entered the small-scale test phase and are expected to improve the efficiency of waste treatment and environmental protection in an innovative way. Meanwhile, the Group headquarters has conducted internal waste audits at each manufacturing enterprise, assessing waste generation, including the types, quantities, treatment and disposal methods of waste generated by each department. The audits also check the implementation of relevant management systems and the compliance of the relevant processes and operations with the established management procedures, especially the management and disposal of hazardous waste.

In addition, the Company has been working with qualified third parties to explore ways of resource utilization for coal ash, pharmaceutical residues, and other wastes. Through the conversion of renewable resources, we reduce emissions, alleviate environmental pressure, achieve resource recycling, and generate economic benefits. Livzon's waste (including non-hazardous waste and hazardous waste) disposal data for the Year are detailed in Section 12.2 of the Report.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.3 Waste management *(continued)*

Case: Alumina recycling

During the Year, Fuzhou Fuxing conducted an alumina recycling project through experimental cooperation with third parties. In the project, waste alumina was processed into aluminum sulfate, which will be used as a floctant for water treatment. The project is in progress, and once completed, it will reduce the amount of hazardous waste disposal in Fuzhou Fuxing, while saving disposal costs.

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 noise management systems.

All manufacturing enterprises of the Group conduct regular monitoring of noise inside the factory and continuously carry out noise management work to reduce the noise pollution from the Group's production and operation process and improve the environmental quality.

During the Year, we phased out older equipment that generated excessive noise during operation and introduced a series of new equipment using advanced noise reduction technology. In terms of noise source management, the Company built soundproof facilities in key areas. For example, multi-layer composite soundproof walls were installed in specific areas of the factory, offering excellent sound absorption and insulation properties, effectively preventing noise transmission. For some large equipment, soundproof enclosures were specially built to greatly reduce the diffusion of noise into the surrounding environment.

Moreover, the Company widely used sound-absorbing cotton, damping soundproof panels and other efficient acoustic materials in the soundproofing processes of buildings and equipment. These materials were applied to workshop walls, ceilings, and key parts of equipment, effectively absorbing sound energy and reducing noise intensity. These efforts not only provided a quieter and more comfortable working environment for employees, but also minimized the noise impact on the surrounding communities.

10.3 POLLUTANTS CONTROL *(continued)*

10.3.4 Noise management *(continued)*

Case: Noise management improvement measures

The fermentation projects I and II of Fuzhou Fuxing faced serious noise problems, primarily caused by sterilization steam discharge, air discharge, and airflow noise within the pipelines. To improve the working environment and protect employees' hearing health, Fuzhou Fuxing implemented three-phase noise management:

In the first phase, the small discharge gas collection system of the tank replenishment system was optimized and directed into a sealed funnel, and quick-connect clamps were used to reduce the noise of gas discharge; in the second phase, a pipeline network was laid on the second floor to connect the small discharge system of the air filter, and tail gas was centrally directed into a treatment system to avoid noise diffusion; in the third stage, the fermenter air pipes were soundproofed by wrapping them with heat and sound insulation cotton and covering them with aluminum sheets.

Through these measures, the noise in Fuzhou Fuxing workshops was reduced by 11.5dB and 7.2dB, respectively, which significantly improved the quality of the working environment.

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.

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 integrates the concept of sustainable development into the entire production and operation process, strictly complies with laws and regulations related to energy conservation, water resources, and circular economy, and has established an energy management system. The Company has formulated the Procedures for Energy Management and other management documents as the general guideline of resource use for the Group, and requires each enterprise to strictly implement them. The Company has set forth the Environmental Management Targets for 2021-2025 to continuously optimize how to use resources through management improvement and technological upgrading. Taking into account their actual conditions, each manufacturing enterprise formulates resource management systems, implements systematic management, regularly reviews the achievement of targets, and comprehensively improves the efficiency of resource use.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management

Livzon remains focused on effectively promoting water management and proactively addressing water risks throughout its operations. We implement a stringent management system, keep strengthening the awareness of preventing water resource risks internally, and conduct water resources management improvement programs across all operations of the Group to reduce water consumption and to continuously improve the Group-wide capability to address water resource risks.

During the Reporting Period, Livzon did not encounter any issue in sourcing water that is fit for purpose. Livzon's water consumption data for the Year are detailed in Section 12.2 of the Report.

Water risk assessment

In order to identify the potential risks associated with access to water resource at all operations of the Group, all manufacturing enterprises of the Group conduct water risk assessment at least once a year. Using the WRI Aqueduct[1] tool, we analyzed risks from 17 dimensions to identify potential risks and develop response plans. Based on the assessment results, we set water-saving targets and implemented supervisory measures to ensure the sustainable management of water resources. We regularly report the assessment results and the implementation of improvement measures to the ESG Committee, ensuring the safety and sustainability of water resource management.

In 2024, our specific assessment dimensions are as follows:

Livzon's Water Risk Assessment Dimensions		
Overall water risk	Physical risks-quantity	Water stress
Water depletion	Interannual variability	Seasonal variability
Groundwater table decline	Riverine flood risk	Coastal flood risk
Drought risk	Physical risks-quality	Untreated connected wastewater
Coastal eutrophication potential	Regulatory and reputational risk	Unimproved/no drinking water
Unimproved/no sanitation	Peak country ESG risk index	

[1] Aqueduct, a water risk atlas tool developed primarily by the World Resources Institute, aids enterprises, investors, and government departments in understanding current and future water risks in various regions through the use of open-source data.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management *(continued)*

Water risk assessment *(continued)*

Based on the overall water risk scores for each operation from the WRI's water stress analysis tool, we classified the water risks of each operation into five levels: low, medium-low, medium-high, high, and very high. The water risk assessment results for the operations of the Group's manufacturing enterprises in 2024 are as follows:

Water risk level	Low	Medium-low	Medium-high	High	Very high
Number of operations	0	3	6	2	4

Water Resource Management Measures

To address potential risks and impacts related to water resources, the Group has developed a series of management measures focusing on five dimensions: water security, water quality control, emergency plan, internal and external monitoring, and training and promotion. In water security, we optimize production processes and upgrade water-saving equipment to ensure efficient use of water resources. In water quality control, we establish a water quality monitoring system, and we regularly test and ensure water safety. We have developed detailed contingency plans for natural disasters such as floods, droughts, and high temperatures or emergencies such as extreme weather to ensure rapid response and effective handling. At the same time, we strengthen the transparency and compliance of water resource management through a combination of internal supervision and external audits. In addition, the Group regularly conducts water resource management training to enhance employees' awareness of water conservation, and promotes the concept of green water use through publicity activities.

➤ Water resource recycling

Each manufacturing enterprise of the Group actively conducts projects of reclaimed water and cooling water recycling to improve the utilization efficiency of water resources. Highlight cases are as follows:

Fuzhou Fuxing: environmental heavy water reuse program

During the Year, Fuzhou Fuxing recycled the heavy water produced from the water production process. The heavy water was used for the preparation of chemical agents for wastewater treatment in the wastewater station. After the implementation of the program, 100 tonnes of heavy water can be recycled per day while reducing the consumption of water resources.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.1 Water resource management *(continued)*

Water Resource Management Measures *(continued)*

➤ Water consumption reduction

Each manufacturing enterprise continuously develops and optimizes water-efficient processes and equips themselves with water-efficient facilities to reduce the water consumption in daily production and operations. Highlight cases are as follows:

Fuzhou Fuxing: chromatography reclaimed water recycling program

During the Year, Fuzhou Fuxing used ammonia wash water regenerated from chromatography for the acid washing of some demineralization columns and adsorption columns. Upon completion, the program can save an average of 80 tonnes of water per day.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management

Paying great attention to the conservation and consumption reduction of energy, Livzon has formulated and strictly implemented management systems such as the Procedures for Energy Management and the Procedures for Resources Management. We keep improving our internal energy management system, and implement programs to reduce energy consumption and carbon emissions, such as reduction of greenhouse gas emissions, energy efficiency improvements, and use of renewable sources, across all operations of the Group, continuously strengthening energy management and control levels.

During the Year, the Company actively promoted the transition to clean energy, collaborating with wind power suppliers to purchase renewable energy. These wind power sources are connected to the Company's power grid through stable transmission lines, providing green power for production and operations, which can effectively reduce carbon emissions and promote green development.

In terms of energy utilization, the Company achieves efficient recycling of resources from multiple perspectives. For example, for the waste heat from air compressors, high-efficiency heat exchangers and circulating pipelines are installed to use the heat energy generated during the operation of air compressors to preheat production water and provide heating for office areas; the heavy water produced by the water production system is recycled and used to prepare wastewater treatment agents, thus reducing the use of fresh water resources and lowering wastewater discharge. The Company also installs differential pressure power generation equipment on steam transmission pipelines to generate electricity by using the differential pressure of steam to achieve cascade utilization of energy.

In addition, for high power-consuming manufacturing enterprises that cannot yet fully transition to new energy sources, we employ advanced monitoring systems to assess energy conservation potential, and perform measurement analysis and appraisal of electricity use. In accordance with the national Catalogue of Obsolete Mechanical and Electrical Equipment Eliminated due to High Energy Consumption, we conduct comprehensive inspections to eliminate obsolete equipment and use energy-efficient equipment to reduce energy consumption.

Through innovative practices such as renewable energy utilization, waste heat recovery, and water resource recycling, the Company has achieved results in the field of circular economy, laying a solid foundation for sustainable development of the enterprise and setting a good example for the industry.

As at the end of the Reporting Period, the Company's subsidiary Fuzhou Fuxing had been certified to ISO 50001:2018/RB/T 114-2014 Energy Management System, and Livzon Hecheng had been certified to GB/T 23331-2020/RB/T 114-2014 Energy Management System.

Livzon's energy consumption and major greenhouse gas emissions data for the Year are detailed in Section 12.2 of the Report.

10.4 RESOURCE USE MANAGEMENT *(continued)*

10.4.2 Energy management *(continued)*

Livzon's Implemented or Planned Key Clean Energy Programs as at the end of 2024

Company name	Program name	Program input (RMB'0,000)	Program description	Description of effects
Livzon Hecheng	Photovoltaic power generation	180	The program uses monocrystalline silicon solar cells as photovoltaic conversion devices. Photovoltaic power generation systems are installed atop the carport and warehouse roofs, while the corresponding access system is configured according to the construction site plan. The program will be funded and constructed by Livzon Hecheng itself, and all electricity will be generated for its own use.	To be implemented, the program will generate 500,000 kWh of electricity per year upon completion.
Sichuan Guangda	Photovoltaic power generation	600	In the program, photovoltaic power generation systems are installed atop the carport and plant roofs. The program was funded and constructed by a third party who gave Sichuan Guangda electricity concessions with a fixed unit price of RMB0.49/kWh.	Implementation commenced, the program will generate 2,170,000 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 the process of product manufacturing, we promote the recycling of industrial materials through technological transformation to effectively improve the utilization of production resources. At the same time, we continuously improve our product packaging design, make active efforts such as recycling of green packaging boxes, and simplify packaging materials provided that market demand and production requirements are met, achieving a win-win result of improving economic benefits and conserving resources.

Livzon's data of packaging material use for the Year are detailed in Section 12.2 of the Report.

Case: Program to improve ethanol recovery rate

During the Year, Sichuan Guangda improved the ethanol recovery rate by implementing technological upgrade of ethanol distillation columns, single-effect concentrators, and distillation residue. After the completion of the program, the ethanol recovery rate increased from 80% to 92%. Sichuan Guangda can save approximately RMB430,000 in ethanol costs annually, significantly reducing ethanol consumption.

10.5 ADDRESSING CLIMATE CHANGE

Globally, climate change has become one of the major risks. A constant threat to human health, it also poses a challenge to business operations. As a pharmaceutical company, Livzon keeps in mind the mission of "prioritizing the quality of life of patients" and actively fulfills its social responsibilities. We help mitigate global climate change by reducing greenhouse gas emissions, and are also focused on addressing the health problems caused by climate change, in order to minimize the negative 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 2024 CDP Climate Change Questionnaire.

10.5.1 Governance

Attaching great importance to climate-related risks and opportunities, Livzon has established a governance structure and a working mechanism for climate-related matters, where managing climate-related risks is integrated into the Group's overall risk management.

The ESG Committee is responsible for leading climate change management, reporting to the Board at least once a year, overseeing the identification, assessment, and management of climate-related risks and opportunities, developing and overseeing the implementation of climate targets and response plans, and integrating them into the Company's long-term development strategy.

As the executive body of the ESG Committee, the ESG Working Team is responsible for collaborating with each department, unit and subsidiary of the Company to fully implement the management of climate change issues, regularly sorting out and summarizing the progress and results of the Group's related work, and reporting to the ESG Committee.

The production technology head office and the general managers of subsidiaries of the Company are responsible for managing and monitoring the implementation of climate-related work. The general managers of each subsidiary advance and supervise the joint implementation of climate-related work by the functional departments of their respective enterprises, and ensure effective communication and action at the implementation level.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.1 Governance *(continued)*

10.5.2 Strategy

Livzon strives to fully integrate climate risks into the Group's ESG risk management system, while seizing the development opportunities presented by climate change. We conduct a detailed analysis of the financial impact of related risks and opportunities, and ensure that climate change issues are thoroughly considered in the Company's strategic decisions.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Introduction to climate strategy and scenario analysis

During the Reporting Period, the Group conducted a comprehensive assessment of the climate change risks (including physical risks and transition risks) and opportunities facing its business with full reference to the recommendations of the TCFD. Meanwhile, the Group conducted climate scenario analysis to assess the adaptability of various parts of its value chain to climate scenarios, the materiality of climate-related risks, and the possible impact on the Group of potential opportunities in the process of transitioning to a lower emissions future.

Low-emission scenarios: SSP 1-2.6 and IEA NZE 2050

In assessing physical risks, we have selected the climate scenario of SSP 1-2.6. This scenario envisions a sustainable society dominated by clean energy, where countries recognize the severity of climate change, intensify climate actions, and enact strict climate policies, striving to reduce carbon emissions and keep global warming well below 2°C. With technological progress and increased public awareness, the world transitions to lower carbons and low energy consumption, greatly reducing carbon dioxide emissions. Despite the slow pace of emissions reduction, net-zero emissions could be achieved after 2050, and the temperature increase of within 1.8° C is expected to be achieved by 2055, a time span that aligns with the Company's goal of achieving operational carbon neutrality by 2055.

In assessing transition risks, we have selected the scenario of IEA NZE 2050, where the global community strives to achieve the net-zero emissions target by 2050. Governments and industries take proactive climate actions, developing and implementing a series of new climate policies that promote the widespread application of clean energy and the improvement of energy efficiency. Technological innovation and increased public awareness facilitate the transition of enterprises to a low-carbon economy, leading to a significant reduction in global CO_2 emissions. Despite potential challenges in the emissions reduction process, net-zero emissions will eventually be achieved by 2050. By 2100, there is at least a 50% probability that the global average temperature increase will be limited to 1.5°C.

High-emission scenarios: SSP 5-8.5 and IEA STEPS

In assessing physical risks, we have selected the scenario of SSP 5-8.5, which follows a "business as usual" emission pathway, focuses on the climate impacts of physical risk factors, and involves no strict climate policies issued by countries. Under this scenario, global temperatures are expected to rise by more than 2.5°C by 2055, potentially leading to sea level rise, changes in weather patterns, and more intense and frequent extreme weather events.

In assessing transition risks, we have selected the scenario of IEA STEPS, which reflects the global energy and climate development pathways based on current policies. In this scenario, governments promote the optimization of energy structures and the development of clean energy technologies according to existing policy frameworks and plans. The STEPS scenario, which can be used to assess the potential and limitations of current policies in achieving the net-zero emissions target by 2050, represents a more gradual pace of emissions reduction than the scenario of NZE 2050. Global CO_2 emissions are reduced in this scenario, but more time and effort will be needed to achieve the same emissions reduction as in the scenario of NZE 2050. By 2100, there is a 50% probability that the global average temperature increase will be limited to 2.4°C.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Major uncertainty factors

Low-emission scenarios

1. **Policy continuity doubts:** Although countries establish active emission reduction policies in the short term, changes in political landscapes may lead new governments to be influenced by economic interest groups, causing them to adjust or abandon existing policies. For example, some countries, influenced by lobbying from traditional energy industries, reduce renewable energy subsidies, hindering project progress.

2. **Risk of technological breakthrough delays:** The research and development of renewable energy technologies is full of uncertainties. Key technologies, such as efficient solar cell materials and long-life energy storage batteries, may fail to overcome challenges on time, delaying energy transition. Even with technological breakthroughs, funding shortages and market entry restrictions could impede their commercial promotion.

3. **Obstacles to global cooperation:** Addressing climate change requires close cooperation between countries. However, there are big differences between developed and developing countries in distribution of carbon emission reduction responsibility, technology sharing, and financial assistance. The game of interests can easily hinder cooperation, threatening the achievement of global emission reduction targets.

High-emission scenarios

1. **Geopolitical shocks:** Geopolitical conflicts can cause fluctuations in the global energy market. Wars in major oil-producing countries can cut off oil supply and drive up oil prices. In the short term, countries, due to difficulties in energy transition, may have to increase the extraction of fossil energy sources such as coal, exacerbating carbon emissions.

2. **Unexpected technological breakthroughs:** Even though overall technological development may be slow, unexpected breakthroughs may still occur in certain key areas. For example, if low-cost, high-efficiency carbon capture and storage technologies are rapidly applied on a large scale, they could change the high-emission energy production model and reverse the emissions trend.

3. **Public awareness shift:** As the impacts of climate change intensify, public awareness of environmental protection may rapidly awaken, creating strong public opinion pressure. This will push governments to increase environmental protection investment and carbon emission regulation, while businesses will adjust strategies to reduce emissions due to changes in consumer preferences.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Major uncertainty factors *(continued)*

High-emission scenarios *(continued)*

At the same time, with respect to the assumptions regarding carbon emissions pricing in each scenario, we are not currently impacted by carbon emissions pricing, but a significant increase in the prices of carbon emissions under these scenarios may influence our expenditures through value chain transmission. Therefore, we still consider carbon emissions pricing in our scenario analysis and incorporate these considerations into our climate strategy. While improving our energy efficiency comprehensively, we will continue to increase the proportion of renewable energy usage, thereby reducing carbon emissions.

In addition, based on the above scenario analysis, we also summarize the significant economic, social, and environmental impacts of climate change factors:

Economic impacts	Economic impacts mainly manifest in policy uncertainty, technological breakthrough delays, and obstacles to global cooperation. Policy uncertainty may lead to instability in renewable energy project investments, increasing operating costs for enterprises. Technological breakthrough delays could delay the energy transition, leading to increased reliance on traditional energy and higher operating costs for enterprises. Obstacles to global cooperation may affect international supply chains and market expansion for enterprises. Moreover, the carbon emissions pricing could significantly rise in the future, impacting corporate expenditures through value chain transmission and increasing operational pressure.
Social impacts	In terms of social impacts, climate change may lead to shifts in public awareness and policy adjustments, impacting social structures. Policy adjustments may cause shifts in the employment structure of the traditional energy industry, with employees needing to transition to the renewable energy sector. The rapid awakening of public awareness of environmental protection may create public opinion pressure, pushing enterprises to adjust production methods to suit consumer preferences. In addition, climate change may trigger extreme weather events, increasing social instability and affecting the stability of corporate supply chains.
Environmental impacts	In terms of environmental impacts, climate change is directly related to the sustainable development of enterprises. In low-emission scenarios, technological breakthrough delays may result in slow development of renewable energy, causing enterprises to still rely on fossil energy, increasing carbon emissions, and raising environmental pressure. In high-emission scenarios, geopolitical conflicts may lead to increased fossil energy extraction, further exacerbating carbon emissions and environmental destruction.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities

In 2024, we rated the climate risks and opportunities in different scenarios from the dimensions of "impact level" and "expected time of occurrence". Based on the climate score, the impact levels of climate risks and opportunities were classified into five levels: high, medium-high, medium, medium-low, and low. For the climate-related risks and opportunities that significantly impact the Group, we developed and implemented specific action plans.

1. Physical Risk Impact Analysis and Response Measures

Risk Type		Risk Name	Climate Score in Different Scenarios		Expected Time of Risk Occurrence
			Low-emission Scenarios	High-emission Scenarios	
Physical risks	Acute	Typhoons	Low	Medium	Short-term
		Floods			
		Rainstorms			
		Heatwaves/Cold waves	Low	Medium-low	Short-term
		Drought	Low	Low	Medium-term
	Chronic	Rising mean temperatures	Low	Medium-low	Long-term
		Air pollution	Low	Medium-low	Medium-term
		Lack of water	Low	Low	Short-term
		Humid air	Low	Low	Medium-term

Note: Time dimension (expected time of risk occurrence): short-term (0-3 years), medium-term (3-10 years), long-term (10-30 years)

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

1. Physical Risk Impact Analysis and Response Measures *(continued)*

Acute-Extreme weather (typhoons, floods, rainstorms)

Risk description:

The Group's production bases are widely distributed in the regions of northwestern, southwestern, southern, eastern, and central China. Extreme weather events caused by climate change include, but are not limited to, typhoons, rainstorms, droughts, and floods. Under the 1.5°C global warming scenario, the frequency of 1-in-20-year heavy precipitation events increases by 10% and the frequency of 1-in-100-year heavy precipitation events increases by 20%; under the 2°C global warming scenario, the frequency of 1-in-20-year heavy precipitation events increases by 22% and the frequency of 1-in-100-year heavy precipitation events increases by more than 45%.

Risk impacts:

Natural disasters such as rainstorms, floods, and strong typhoons may have lasting impacts on the Group. During extreme weather events, transportation of raw materials and products will be impeded, employee commutes will be inconvenient, and risks of power and water outages, and suspended steam supply could also arise. For example, some of the Group's production bases, located in coastal cities, are affected by tropical air currents in the northern hemisphere. From May to October, several typhoons may potentially make landfall nearby, leading to production stoppages and property losses. In addition, during the rainy season, there may be several instances of rainfall at the red alert level for rainstorms, causing impediments to the transportation of production materials, inconvenience to employee commutes, and damage to corporate assets, thereby affecting production schedules and increasing facility maintenance costs.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

1. Physical Risk Impact Analysis and Response Measures *(continued)*

Acute-Extreme weather (typhoons, floods, rainstorms) *(continued)*

Response measures:

- Emergency system development: Develop systems such as the Contingency Plans for Extreme Weather, establish a contingency command system, and set up an emergency office with defined responsibilities of personnel who coordinate with production departments for safety inspections and logistics departments for material support.

- Response to extreme weather

  - Before extreme weather events: monitor the weather, implement safety inspection corrections, provide protective and emergency equipment, and make arrangements for personnel attendance, material transportation, and production and delivery.

  - During extreme weather events: reduce production, stop outdoor operations, shut down as needed, arrange for shift duty, and ensure personnel safety and sufficient supplies.

  - After extreme weather events: assess the loss in time, summarize the experience, and speed up the resumption of production.

- Fixed asset protection: regularly inspect and maintain equipment and facilities, insure assets in high-risk locations, and take additional protective measures to reduce force majeure losses.

- Water quality safety management: Use water purification system to ensure the safety of production water, and regularly test the quality of domestic and drinking water.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

1. Physical Risk Impact Analysis and Response Measures *(continued)*

Acute-Extreme weather (heatwaves, cold waves)

Risk description:

Due to human activities, the probability of cold wave occurrences has decreased to a certain extent, but there is an increasing trend in intensity. Cold waves can bring drastic temperature drops, strong winds, rain and snow, frost, and other disasters, impeding the Group's raw material production, logistics transportation, power operation, etc. Meanwhile, heatwaves and heavy precipitation-heatwave combined extreme events are becoming more frequent and intense in the context of global warming. This leads to an increase in residential electricity loads, which could cause industrial electricity restrictions for our enterprises during certain periods.

Risk impacts:

Under extreme heat, the Group may need to enhance ventilation and cooling in production plants and offices, resulting in higher energy consumption and operating costs; meanwhile, the normal production may be impacted by power outages due to possible peak demand on the power grid. In extreme cold weather, the Group may increase demand for heating in production plants and offices, resulting in higher energy consumption and operating costs; road icing due to cold weather may lead to insufficient supply of raw materials, directly resulting in production delays or stagnation; dry weather easily causes fires, explosions, spills, poisonings, and other accidents; extremely low temperature may cause property losses such as equipment failure and increase maintenance costs for various facilities. Moreover, cold waves or heatwaves may increase the severity and scope of diseases such as cardiovascular disease, malaria, or heat stroke, threatening employees' health.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

1. Physical Risk Impact Analysis and Response Measures *(continued)*

Acute-Extreme weather (heatwaves, cold waves) *(continued)*

Response measures:

- Energy management: make arrangements for off-peak power use before peak demand, and prepare backup energy and contingency plans.
- Hazardous material management: in summer, schedule deliveries for hazardous materials to avoid the high temperature period and reduce the risk of fire.
- Supply chain management: analyze supplier risks, develop inventory strategies for key raw materials, and strengthen cooperation.
- Safety protection and inspection: implement preventive measures, provide protective equipment, and set up warning signs; conduct regular inspections of equipment such as boilers and slippery areas, and require all plants to maintain winter insulation to prevent freezing damage to equipment.
- Accident prevention: Develop contingency plans for accidents such as fires and explosions.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

1. Physical Risk Impact Analysis and Response Measures *(continued)*

Chronic-Lack of water

Risk description:

The Group's production process requires a significant amount of water resources for multiple steps such as raw material processing, product synthesis, and equipment cleaning. As the issue of global water scarcity becomes increasingly severe, especially in certain arid and water-stressed regions, the impact of water scarcity risks on production stability and cost control for pharmaceutical enterprises is becoming more pronounced.

Risk impacts:

The Group's water sources include surface water and groundwater. Water scarcity may force us to scale down or halt production, or take additional water resource management measures, such as recycling water resources and applying water efficiency technologies, which may result in increased production costs or reduced operating income. At the same time, the Group's supply chain may be dependent on water resources in certain regions, and water scarcity risks may lead to instable supply of critical raw materials, affecting the stability of the entire supply chain.

Response measures:

- Risk assessment and response: continually conduct water risk assessments for the Group's manufacturing enterprises, set reasonable water conservation targets and countermeasures, and take and implement improvement measures (for details, please refer to Section "10.4.1 Water resource management" in this chapter).
- Dynamic monitoring and emergency response: monitor geographic and climatic information and initiate contingency plans when the water levels reach the risk line.
- Water usage control: set water conservation targets, reduce fresh water consumption, and increase wastewater reuse.
- System development: Establish and improve the water resources management system and appraisal system, develop contingency plans, and prepare buffer production water tanks.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

1. Physical Risk Impact Analysis and Response Measures *(continued)*

Chronic-Rising mean temperatures

Risk description:

Analysis of the China Meteorological Administration's global surface temperature dataset shows that global warming has continued since 2015, with records for the "hottest year on record" continually being broken. Rising mean temperatures caused by global warming may pose a series of challenges to the production activities, raw material supply, product quality control, and employee health and safety of pharmaceutical enterprises. Temperature changes may impact the production processes, storage conditions, transportation chain, and stability of drug efficacy, especially for temperature-sensitive drugs and biological products.

Risk impacts:

Temperature changes may impact the synthesis and production processes of certain drugs, which requires adjustments to production parameters or addition of temperature control measures, thereby increasing production costs. In some regions experiencing high temperatures, continuous temperature rise requires the Group to enhance ventilation and cooling measures in production plants and offices, resulting in higher energy consumption and operating costs. It also reduces production efficiency due to increased likelihood of heat stroke and other sudden heat-related illnesses among employees.

Response measures:

- Energy-saving improvement: improve air-conditioning and ventilation systems in production plants and offices for energy conservation to increase energy efficiency.
- Employee care: provide employees with adequate supplies for heatstroke prevention in summer, and arrange annual health check-ups.
- Safety training: include heat response knowledge in employee training and conduct emergency drills for heat stroke and other heat-related illnesses.
- Work safety: avoid working outdoors at midday in hot weather to ensure work safety.
- Power management: Plan for off-peak power use in advance.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures

Risk Type		Risk Name	Climate Score in Different Scenarios		Expected Time of Risk Occurrence
			Low-emission Scenarios	High-emission Scenarios	
Transition risks	Policy and Legal	Enhanced mandates on and regulation of existing products and services	Low	Low	Medium-term
		Risk of litigation	Low	Low	Medium-term
	Technology	Substitution of existing products and services with lower emissions options	Low	Low	Medium-term
		Unsuccessful investment in new technologies	Low	Low	Medium-term
		Costs to transition to lower emissions technology	Low	Low	Medium-term
	Markets	Changing customer behavior	Low	Low	Short-term
		Uncertainty in market signals	Low	Low	Long-term
		Increased cost of raw materials	Low	Medium-low	Short-term
	Reputation	Stakeholder concern or negative stakeholder feedback	Low	Low	Short-term
		Stigmatization of sector	Low	Low	Medium-term

Note: Time dimension (expected time of risk occurrence): short-term (0-3 years), medium-term (3-10 years), long-term (10-30 years)

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures *(continued)*

Policy and Legal-Increased pricing of GHG emissions

Risk description:

The Group has not yet been included in the industries covered by the national emissions trading system and has set emission reduction targets to achieve carbon neutrality by 2055. In a future low-emission scenario, if the country continues to promote stricter emission reduction policies, for which the Group is likely to be included into the carbon quota trading market, the Group may be affected by carbon quotas and need to take more aggressive emission reduction measures or utilize carbon emission rights trading to ensure greenhouse gas emission compliance.

Risk impacts:

As the pricing of greenhouse gas emission rights increases, the Group's expenditures in carbon trading may continue to rise, impacting the Group's financial performance. Also, the increased pricing of carbon emissions will have a significant impact on the power and chemical industries, resulting in rising energy prices or short supply of raw materials, which will indirectly increase the Group's operating costs.

Response measures:

- Strategic planning and management: establish a greenhouse gas emission management framework, and define energy conservation and consumption reduction targets and carbon emission reduction targets.
- Production technology innovation: improve production efficiency and the yield of products through technological upgrading, thus reducing the raw material input and energy consumption per unit of product.
- Operational energy efficiency control: conduct a comprehensive review of energy-consuming equipment and energy usage in production and operations, replace or upgrade high-energy-consuming equipment for energy conservation, and strengthen energy control.
- Resource recycling: promote resource recycling, install facilities for reclaimed water reuse, alcohol waste liquid recycling, etc., and carry out acid-base recovery projects to achieve efficient resource circulation.
- Energy structure optimization: promote projects such as photovoltaic power generation, and increase the share of clean and renewable energy, such as purchasing wind power and obtaining green electricity certificates.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures *(continued)*

Policy and Legal–Environmental mandates on and regulation of existing products

Risk description:

Currently, China has introduced policies and regulations such as the Action Plan for Carbon Dioxide Peaking Before 2030 and the 14th Five-Year Plan for Development of Pharmaceutical Industry. In the future, as domestic and international carbon emission trading becomes interconnected and related efforts continue to deepen, more detailed implementation rules for coordinated emission reduction of greenhouse gases and other pollutants may be introduced in environmental pollution prevention and control.

Risk impacts:

Stricter environmental policies in the future may lead to write-offs, asset impairment, and early retirement of existing assets, and may also increase related insurance costs. Meanwhile, to meet policy requirements, the Group may need to invest in R&D of new technologies and new processes of low energy consumption, thus increasing R&D expenditures; alternatively, due to policy requirements, the Group may need to purchase new equipment, thus increasing capital costs. Moreover, environmental compliance costs may also rise.

Response measures:

- Business product optimization: replace high-energy-consuming, high-polluting, low-value-added products with low-energy-consuming, low-polluting, high-value products to reduce regulatory impact.
- Carbon reduction in transportation: increase loading rates, use more new energy for transportation, and control cost increases caused by increased carbon emission pricing.
- Energy efficiency improvement: assess energy conservation status, such as performance rating for heavy pollution weather, conduct on-site surveys, develop correction plans, and work with third-parties to prepare rating plans, so as to reduce energy costs and avoid policy risks.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures *(continued)*

Technology-Unsuccessful investment in new technologies

Risk description:

In the process of responding to climate change and reducing environmental impacts, the Group may need to invest in new technologies and production processes, such as more environmentally friendly raw materials, more energy-efficient production equipment, or lower emissions logistics solutions. These investments are aimed at reducing the carbon footprint of the enterprise and complying with increasingly stringent environmental regulations. However, the R&D and implementation of these new technologies carry uncertainties, and the investments may fail due to failure of these technologies to achieve expected outcomes, low market acceptance, cost overruns, or extended implementation timelines.

Risk impacts:

The capital investments associated with technology development, new procedures, and new processes may result in higher product costs and the risk of losing some market share due to price disadvantages. Meanwhile, investing in new technologies requires substantial R&D capital input with uncertainties as to their effective conversion into productivity, and, given the long technology replacement cycles, may affect the production capacity of existing products; the introduction of new technologies may also require the elimination of old equipment, leading to write-offs and early retirement of existing assets. Additionally, if customers do not recognize new processes after technology reform, it may lead to reduced revenue from possible reduced demand for products.

Response measures:

- R&D innovation: 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.
- Upgrading: Modify and refine old products, continuously optimize material processes, develop green and lower emissions production techniques, reduce production costs, and increase profit margins.
- Parallel processing: Operate new technology and old processes at the same time to avoid the slow sales of products caused by technology update.
- Risk prevention and control: when investing in new technologies or transition, fully evaluate input-output and feasibility, select mature technologies, conduct pilot applications, and control risks through small, pilot and batch tests.
- Employee training: Provide training on new technology/process operation to help employees become familiar with the new process.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures *(continued)*

Market-Changes in raw material costs

Risk description:

The Group's raw materials involve a variety of types including chemical raw materials, biomaterials, APIs, and traditional Chinese medicinal materials. During periods of heat in summer and cold in winter, or under extreme weather conditions, the production of some suppliers of raw materials and auxiliary materials may be restricted, resulting in production reductions or shutdowns, which could potentially lead to shortages and price increases for some materials supplied to the Group. Meanwhile, under the influence of climate change, global energy transition, etc., the prices of energy sources, water and raw materials may fluctuate, and some biological raw materials are hardly available, and some raw material suppliers are closing down; climate change may also turn essential resources for production into scarce resources.

Risk impacts:

With climate change and energy transition undertaken by countries in response to climate change, the yield and quality of raw materials for the Group's products may be affected by factors such as extreme weather, pests, and energy shortages, resulting in insufficient raw material supplies and higher prices, thereby raising the Group's production costs.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures *(continued)*

Market-Changes in raw material costs (continued)

Response measures:

- Technological and resource innovation: actively carry out technological innovation, and identify alternative raw materials and energy sources; improve production technology to promote product yield, reduce consumption of raw materials and energy sources, and control costs.
- Innovative cooperation models: explore new cooperation models, invest in the joint construction of cultivation bases to ensure raw material quality and supply, and stabilize prices.
- Supplier management: regularly assess supplier risks and increase the inventory from key suppliers. Sign long-term contracts to stabilize bulk raw material prices, develop multiple alternative suppliers, and reduce dependence on a single supplier.
- Raw material reserves: reserve raw materials in advance according to market trends. For materials with large consumption and long shelf life, monitor their prices, stockpile in advance, or sign annual agreements to prevent supply disruptions.
- Energy structure adjustment: increase electricity generated from renewable energy to address possible rising electricity costs due to increased coal prices.
- Packaging optimization: stay informed about new eco-friendly materials, select those with a cost advantage, optimize packaging forms, and improve packaging efficiency using automated equipment.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures *(continued)*

Market-Uncertainty in market signals

Risk description:

Given climate change and its broad socioeconomic impacts, uncertainties related to market demand, regulatory environments, competitive landscapes, and technological advancements may increase. For example, evolving policies and regulations aimed at addressing climate change could affect the manufacture, packaging, and distribution of pharmaceutical products.

Risk impacts:

Under the influence of climate change or national carbon peaking and carbon neutrality policy, sudden power and water rationing and outages and higher electricity prices could occur, potentially reducing product output and thereby disrupting normal production and timely supply to customers. Moreover, raw material prices may rise, or supplies become delayed due to power and water rationing and outages and sudden increases in electricity prices, leading to increased production costs.

Response measures:

- Information monitoring: keep a close eye on market trends and energy policies to ensure timely access to information.
- Emergency preparedness: develop contingency plans and make arrangements to reduce the impact of sudden power/water rationing.
- Collaborative response: Establish a communication mechanism with various departments of power supply and distribution, and establish 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 change of policies such as staggered power outages and emission restrictions.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

2. Transition Risk Impact Analysis and Response Measures *(continued)*

Market and reputation-Changing customer behavior/stakeholder concern or negative stakeholder feedback

Risk description:

As public awareness of climate change and environmental protection increases, customer requirements and preferences for pharmaceuticals and services may also evolve in the future. In a low-emission scenario in the future, an increasing number of customers are likely to gradually prefer pharmaceutical enterprises and their products that have a lower environmental impact and use sustainable production methods. At the same time, in a low-emission scenario, future stakeholders other than customers may have higher expectations of the Group's environmental performance.

Risk impacts:

In a low-emission scenario in the future, as regulations and requirements on carbon emissions tighten gradually, customers' requirement for lower emissions products or the consideration of ESG performance as a review point for cooperation may lead to decreased demand for existing products and retirement of inventories. As the Group's ESG performance has attracted great attention from the capital markets, any ESG downgrade and reputational damage may result in reduced capital availability. The Group's production sites are exposed to reputational damage in the event of complaints from residents. In terms of partnerships, negative impacts on workforce management and planning may lead to reduced revenue or increased costs. Failure to promptly address ESG concerns during customer audits could have an impact on sales. As government environmental regulations become more stringent, expansions of energy-intensive factories may not be approved by the government in the future, which could affect the Group's production.

Response measures:

- Market and product strategy: flexibly adapt market strategies and product portfolios, pay attention to consumer preferences, and focus on the development of green and lower emissions products.
- Target setting and implementation: set and strive to achieve carbon emission and energy management targets.
- Stakeholder engagement: proactively respond to inquiries from capital market stakeholders such as investors and rating agencies.
- Internal management improvement: improve ESG governance levels and conduct ESG training for employees.
- Environmental management and compliance: disclose climate-related risks, opportunities, and response measures in ESG reports, and implement energy conservation and carbon emission reduction measures to reduce environmental impact and ensure EHS compliance.
- Brand and employee management: Build green factories, improve climate risk protection, and enhance brand value and employee satisfaction.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

3. Opportunity Impact Analysis and Response Measures

Opportunity Factor	Climate Score in Different Scenarios		Opportunity Impacts
	Low-emission Scenarios	High-emission Scenarios	
Resource Efficiency	Low	Low	• Reduced operating costs • Increased production capacity, resulting in increased revenues • Increased value of fixed assets • Benefits to workforce management and planning, resulting in lower costs
Resource Source	Low	Low	• Reduced operating costs • Reduced exposure to future fossil fuel price increases • Reduced exposure to greenhouse gas emissions and therefore less sensitivity to changes in trading price of carbon • Improved reputation and increased demand for products
Products and Services	Low	Low	• Increased revenue through new solutions to climate adaptation needs • Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	Low	Low	• Increased revenues through access to new and emerging markets • Increased diversification of financial assets (e.g. green deposits) to spread risks
Resilience	Low	Low	• 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 Strategy *(continued)*

Climate risks and opportunities *(continued)*

3. Opportunity Impact Analysis and Response Measures *(continued)*

Resource Efficiency

Considering the potential future risks of rising raw material costs, increasing labor costs, logistics disruptions, etc., the Group can improve its overall resource efficiency by increasing the level of automation in production and storage equipment, moving to more energy efficient buildings, and using more efficient modes of transport to provide more, higher value-added and more sustainable products and services with less resource consumption. Moreover, by using more efficient production and distribution processes, recycling resources, and reducing water usage, the Group can not only reduce energy and material consumption, but also increase production capacity and meet increasingly stringent environmental requirements.

Response measures:

- Production technology optimization: improve the yield of products through technological refinement, thus reducing the raw material and energy consumption; optimize high-risk and energy-intensive inspection methods to ensure employee safety and efficiency.
- Product structure adjustment: replace high-energy-consuming, high-polluting, low-value-added products with low-energy-consuming, low-polluting, high-value products, such as the construction of afoxolaner（阿福拉納）production lines and the elimination of colistin（粘桿菌素）production.
- Supply chain upgrading: improve supply chain management capabilities, strengthen communication with the market and centralize production scheduling, and reduce the risk of inventory by shortening the cycle of procurement and production.
- Carbon reduction and efficiency improvement in transportation: increase the loading rate of containers and trains, use new energy vehicles and low-carbon technologies for transportation, and use electric forklifts for in-plant transportation.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

3. Opportunity Impact Analysis and Response Measures *(continued)*

Resource Source

At present, the energy used by the Group remains the primary source of carbon emissions. As the price of fossil fuels may fluctuate along a lower emissions development pathway, initiatives such as the development of photovoltaics and the promotion of clean production plans can better facilitate the Group's achievement of its emission reduction targets. On another front, against the backdrop of China's active promotion of energy transition, coupled with the increasingly competitive operating costs of renewable energy, the Group can secure stable, long-term returns from energy transition and participation in the carbon trading market.

Response measures:

- Energy transition: promote the construction of photovoltaic power generation projects in various manufacturing enterprises, and explore other applicable clean energy sources.
- Audit mechanism: regularly conduct cleaner production audits and continuously apply the comprehensive environmental protection strategy to the production and product processes.
- Incentive assurance: establish an incentive mechanism for cleaner production to promote emission reduction and increase the profit potential of carbon trading.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

3. Opportunity Impact Analysis and Response Measures *(continued)*

Products and Services

By developing new products and introducing lower emissions goods and services, the Group can not only meet the growing environmental demands of consumers and enhance its competitiveness in the market, but also create new revenue streams and improve its brand image. This environmentally friendly innovation not only helps the Group build an image as a sustainable and responsible enterprise and attract greater attention from consumers and investors, but also reduces operating costs and improves efficiency and profitability through optimized energy and resource use.

Response measures:

- Drug R&D: give subsequent consideration to the R&D of drugs to treat tropical infectious diseases (e.g. antiparasitic drugs).
- Product upgrading: actively pay attention to consumer preference trends in the market, focus on the development of green and low-carbon products, and build a green manufacturing system.

Markets

Climate change may lead to changes in disease patterns and epidemiology, affecting the demand for specific medicines. For example, temperature changes may expand the range of transmission of certain infectious diseases, increasing the demand for related drugs and presenting new market opportunities. Meanwhile, the impact of climate change on public health may prompt governments and international organizations to take further actions. The Group can improve its brand image and explore new markets and business opportunities by participating in these public health projects and collaborations. In the future, the development of green finance may also bring about new financing opportunities.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

3. Opportunity Impact Analysis and Response Measures *(continued)*

Markets (continued)

Response measures:

- Market expansion: pay continuous attention to new markets, and actively prepare for new markets and businesses brought about by emerging diseases caused by climate change.
- Green finance: proactively pay attention to the green finance market, and explore green deposits and other financial products.
- Government subsidies: increase efforts to track environment-related policies, such as applying for subsidies in a timely manner through measures such as building green factories and conducting energy efficiency certification.

Resilience

As the risks of climate change escalate leading to more frequent extreme weather events, whose intensity becomes increasingly unpredictable, strengthening climate resilience is particularly important to avoid the loss of life and property caused by climate risks. The Group can increase the future market valuation of assets by strengthening the climate resilience of infrastructure, optimize the supply chain and diversify sourcing to mitigate the risk of unstable raw material supply, and invest in green and efficient production technologies to reduce negative environmental impacts. These measures help our enterprises maintain operational flexibility and efficiency in the face of challenges posed by climate change, while also enhancing our environmental sustainability and market competitiveness.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Climate risks and opportunities *(continued)*

3. Opportunity Impact Analysis and Response Measures *(continued)*

Resilience (continued)

Response measures:

- Green production and asset appreciation: select environmentally friendly materials and processes, and build green factories and office buildings to increase the market valuation of fixed assets.
- Energy structure optimization: vigorously promote photovoltaic power generation and explore other clean energy sources to enhance the reliability of energy supply.
- Supplier management upgrading: improve the supplier management process for pharmaceutical plants, assess and classify their ability to respond to climate risks, and plan ahead accordingly to reduce the risk of supply disruptions.
- Exploration of energy efficiency projects: investigate the feasibility of energy efficiency projects, such as photovoltaic cell energy storage, to secure power supply for production and improve business operation resilience.

Financial impacts of climate risks and opportunities

During the Reporting Period, we conducted a financial impact assessment of three climate risks and opportunities: physical risk–typhoons, transition risk–changes in raw material costs, and opportunity–use of energy-efficient technologies, under the premise that information is reasonably accessible and costs are affordable.

Physical risk-Typhoons

1. Potential financial impacts: approximately RMB28 million, including:
    - Asset loss: typhoons may cause damage to the buildings, equipment, inventories, and other assets of subsidiaries located in typhoon-prone areas, resulting in asset impairment or payment of repair costs.
    - Production interruptions: typhoons may lead to production line shutdowns, affecting product production and delivery, which in turn causes a decline in sales revenue and customer loss.
    - Additional expenditure: to resume production, the Company may need to pay for additional overtime, rental of replacement equipment, or temporary production sites.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Financial impacts of climate risks and opportunities *(continued)*

Physical risk-Typhoons *(continued)*

2. Risk response costs: approximately RMB1.6 million, including:

- Insurance costs: insure the premises of the Company against all risks of property and casualty to obtain insurance compensation in the event of asset damage. Insurance costs are determined based on the insured amount and premium rate.
- Emergency supplies reserve: purchase and stock typhoon emergency supplies in advance, such as sandbags, tarps, and generators. The cost of these suppliers is calculated based on the quantity purchased and the unit price.
- Emergency drill costs: organize employees for typhoon emergency drills to improve preparedness for typhoon events. Drill costs include site rental fees, equipment usage fees, personnel training fees, etc.

Transition risk-Changes in raw material costs

1. Potential financial impacts: approximately RMB8.6 million, including:

- Rising direct material costs: rising raw material prices leads to increased product costs, which in turn impacts the Company's profits.
- Rising energy costs: rising energy prices lead to increased production costs, which in turn impacts the Company's profits.

2. Risk response costs: approximately RMB0.32 million, including:

- Alternative material costs: finding and purchasing alternative materials may require additional R&D costs, testing costs, and procurement costs.
- Costs of energy-saving improvement projects: conduct energy-saving improvement projects, with costs including equipment purchase fees, installation and debugging fees, personnel training fees, etc.
- Supply chain management costs: strengthen cooperation with suppliers to ensure stable supply of raw materials. This may require the payment of additional supply chain management costs.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.2 Strategy *(continued)*

Financial impacts of climate risks and opportunities *(continued)*

Opportunity–Use of energy efficient technologies

1. Potential financial impacts: approximately RMB5.9 million, including:

    - Energy cost savings: substantial energy cost savings are expected through the implementation of energy-saving improvement projects.

    - Government subsidies and tax incentives: using energy-efficient technologies may qualify the Company for government subsidies and tax incentives, further increasing the Company's profits.

2. Costs of achieving the opportunity: approximately RMB8.3 million, including:

    - Costs of energy-saving improvement projects: including equipment purchase fees, installation and debugging fees, personnel training fees, etc.

    - Production delay costs: energy-saving improvement projects may lead to temporary shutdowns of production lines, resulting in certain production delay costs. Delay costs include employee wages, equipment depreciation fees, etc., during downtime.

    - Technology introduction and R&D costs: if the Company needs to introduce or research and develop new energy-efficient technologies, it may be required to pay additional technology introduction fees or R&D costs.

10.5.3 Risk management

To address potential risks and opportunities arising from climate change, Livzon, under the leadership and supervision of its Board and the ESG Committee, has established a process and framework of climate-related risk management, and has integrated climate-related risks into the Group's overall risk management.

We annually conduct identification of climate-related risks and opportunities on a regular basis, assess the climate-related risks and opportunities with the help of external experts to develop and implement response plans, and regularly report on work results to the ESG Committee every year.

Our specific climate risk management steps are as follows:

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.3 Risk management *(continued)*

Step I: **Prepare a list of potential climate risks**

- Prepare a preliminary list of the Group's potential climate risks based on industry research reports, relevant policies issued by regulatory agencies, peer benchmarking, stakeholder surveys, interviews with business departments, interviews with executives, external information search, etc.
- Interview the heads of all relevant business departments ("executives") to collect a list of potential climate risks that executives consider exist, to obtain a comprehensive and unbiased list of risks.

Step II: **Assess climate risks**

Conduct climate-related scenario analysis and assessment for each climate risk and opportunity across the following two dimensions, and rate each comprehensively to understand the potential impact of various risk and opportunity factors on the Group's operations.

- Time dimension (expected time of risk occurrence)
  Short-term (0-3 years), medium-term (3-10 years), long-term (10-30 years)
- 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 enterprise and the ESG Working Team.

10.5 ADDRESSING CLIMATE CHANGE *(continued)*

10.5.4 Metrics and targets

Based on a well-developed framework of governance, strategy, and risk management, we have set the metrics and targets for climate-related risks and opportunities management, and conduct routine oversight and appraisal. For details, please refer to Section "10.2 ENVIRONMENTAL MANAGEMENT TARGETS" in this chapter.

10.6 BIODIVERSITY PROTECTION

Livzon is deeply aware of the importance of biodiversity protection, strictly complies with relevant domestic laws and regulations, and international conventions, and clearly defines biodiversity protection requirements in the Environmental, Occupational Health, and Safety Management Policy. "Zero deforestation" has been incorporated as a special clause into the environmental management system to contribute the Company's efforts to ecological environment protection. In addition, we continuously reduce our negative impact on ecosystems through sustainable management of natural resources and raw materials in our supply chain, so as to fulfill our commitment to biodiversity conservation.

To conserve biodiversity, we assess the dependencies and scope of impacts of our business operations on natural resources, continuously reduce the adverse impacts of our business operations on biodiversity, actively promote the sustainable use of natural resources, and maintain the balance and stability of ecosystems. Additionally, we apply a "mitigation hierarchy" approach, namely "avoidance, reduction, restoration, offsets", to work towards "No Net Loss" of biodiversity. Specifically:

➤ Avoidance	➤ Reduction	➤ Restoration	➤ Offset
at the project planning stage, give priority to avoiding ecologically sensitive areas and choose construction programs with minimal impact on biodiversity;	during operations, adopt eco-friendly technologies to minimize adverse impacts on ecosystems;	for ecological damage caused, initiate the restoration mechanism in a timely manner;	for unavoidable ecological impacts, achieve ecosystem balance through professional ecological compensation programs.

10.6 BIODIVERSITY PROTECTION *(continued)*

In the resource acquisition process, we use no species listed in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Meanwhile, through continuous internal training and ecological awareness education, we cultivate an ecological protection mindset among all employees and promote the joint performance of biodiversity protection responsibility within the enterprise and with supply chain partners. In addition, based on the characteristics of the TCM industry, we develop biological resources in a scientific and reasonable manner on the basis of protecting ecosystem integrity, so as to achieve a dynamic balance between ecological benefits and industrial development.

- **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:** We thoroughly assess the supply chain's impact on biodiversity, adhere to sustainable supply of raw materials, and continuously reduce the negative impact on biodiversity. Through the development 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 construct demonstration bases for the cultivation of traditional Chinese medicinal materials by integrating traditional cultivation experience with modern agricultural technologies in Shanxi, Shaanxi, Gansu and other genuine producing areas to promote the sustainable development of traditional Chinese medicinal materials.

- **Protecting germplasm and germplasm resources:** 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, problems such as the weakening of species' germplasm resources and varieties and the invasion of alien species.

- **Insisting on green and scientific planting:** In the process of planting medicinal materials, we insist on green and scientific planting. Datong Livzon Qiyuan Medicine Co., Ltd.(大同麗珠芪源藥材有限公司)("Datong Livzon"), the Company's subsidiary, cultivates its Astragalus membranaceus in simulated wild conditions without the use of fertilizers or pesticides to protect the land and water resources. Datong Livzon has obtained the organic product certification, the certification of the cultivation base of genuine high-quality medicinal materials (Astragalus membranaceus), and 5A-grade Astragalus membranaceus cultivation base (artificially sown and naturally grown) certification for its products. Longxi Livzon Shenyuan Medicine Co., Ltd.(隴西麗珠參源藥材有限公司)("Longxi Livzon"), the Company's subsidiary, has obtained the certification of organic conversion and the demonstration base of genuine high-quality medicinal materials (Codonopsis pilosula) certification. As at the end of the Reporting Period, all the varieties involved in the traditional Chinese medicine business department of the Company complied with the relevant international convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)).

10.6 BIODIVERSITY PROTECTION *(continued)*

- **Exit mechanism within the red line of ecological protection:** The Company's construction of medicinal material bases, including self-built bases and jointly built bases with suppliers, does not involve areas with important ecological functions or ecologically sensitive and fragile areas. Land selection is required to comply with requirements of national and local laws and regulations, ensuring that medicinal materials are not planted in environmentally sensitive areas or within the red line of ecological protection. Generally, barren mountains, forested land, wasteland, and land used for common economic crops are chosen. If any ecological protection red line areas are found during inspections, the Company will immediately exit the cultivation bases of medicinal materials, restore the land to its original use, and maintain ecosystem integrity.

- **Promoting sustainable use of raw materials:** With the technical support from the R&D platforms of medicinal material plantation enterprises under the traditional Chinese medicine business department of the Company and the center for medicinal material resources of our traditional Chinese medicine research institute, we are actively conducting research on the germplasm resources and cultivation technology of medicinal materials, methods and standards for processing in producing areas, full-process information tracing, and comprehensive utilization and development of medicinal material resources, to ensure the quality of medicinal materials and make the most of medicinal material resources, maintain the ecological balance of medicinal materials, and prevent the loss, degradation and overexploitation of ecological resources, thereby ensuring the sustainable use of traditional Chinese medicinal resources and protecting the genetic diversity of medicinal materials and the biodiversity of cultivation bases.

In addition, facing the issue of wild resource depletion due to the continuous growth of market demand, we actively explore sustainable development solutions. With the technical support of the expert team from Sichuan Academy of Traditional Chinese Medicine, we have conducted in-depth cooperation with local pharmaceutical enterprises and successfully established a base for Acorus tatarinowii cultivated in simulated wild conditions, of which 1,500 mu has been completed. It is planned to expand to more than 4,000 mu in 3 years.

To ensure the quality of medicinal materials, we have collaborated with local enterprises to construct standardized cleaning processing workshops in the producing areas. Through unified processing technology, we effectively guarantee the stable and uniform quality of Acorus tatarinowii. This not only alleviates the pressure on wild medicinal resources, but also provides useful references for the protection and development of other medicinal materials, achieving a win-win situation for both ecological protection and industrial development.

10.6 BIODIVERSITY PROTECTION *(continued)*

Case: Biodiversity indicator monitoring

The medicinal material plantation bases of the Company always pay attention to plant community diversity, surrounding animal diversity, and soil biodiversity. The Astragalus membranaceus base in Datong Livzon, for example, is located in a remote mountainous area, which is itself a natural habitat for wild animals, providing a near-pristine growth environment for Astragalus membranaceus. We track and record the number and distribution of species around the base, assess the impact of field management measures on the ecosystem, and adopt an eco-friendly field management model. Only manual weeding is carried out in the field management in the principle of "removing large and leaving small". We use no pesticides and fertilizers and are committed to building an ecosystem in which animals, plants, and humans coexist in harmony.

Case: Protecting biological genetic resources

Datong Livzon has established an Astragalus membranaceus germplasm resource nursery in Hunyuan County, focusing on the protection of biological genetic resources. Through careful observation and classification of the morphological characteristics of Astragalus membranaceus plants, Datong Livzon has successfully collected over 20 varieties of wild Astragalus membranaceus germplasm resources within the genuine producing area. To ensure the scientific management and protection of germplasm resources, Datong Livzon has maintained detailed record of the origin location information of all germplasm, including collection sites, times, altitude, longitude and latitude, and growth method (cultivated or wild), supplemented by photography and specimen making. This preserves original data for these resources, providing valuable basic data for research on biological genetic diversity.

Case: Protecting the ecological system of the Codonopsis pilosula cultivation base

To ensure the sustainability of the ecological environment of the Codonopsis pilosula cultivation base, Longxi Livzon has conducted an in-depth analysis of the current ecological environment of the Codonopsis pilosula cultivation base and its causes, and has formulated the Environmental Biodiversity Conservation Plan for the Codonopsis Pilosula GAP Cultivation Base. In 2024, Longxi Livzon's Codonopsis pilosula base successfully passed the inspection of compliance with the Good Agricultural Practice for Chinese Crude Drugs. Longxi Livzon pays particular attention to the use of pesticides, fertilizers, and plant growth regulators throughout the medicinal material plantation process, strictly implements GAP standards, continuously strengthens biodiversity protection measures, and strives to build a more sustainable and eco-friendly planting model.

10.6 BIODIVERSITY PROTECTION *(continued)*

We promote the concept of biodiversity protection to all enterprises of the Group, and actively implement various ecological conservation measures while ensuring normal production and operations. By optimizing greening layout of the factory area and other means, we minimize the potential impact of operations on biodiversity and promote harmonious coexistence between our enterprises and the natural environment.

Enterprise	Biodiversity Conservation Initiatives	
Ningxia Pharma	Intensified greening of factory area	In April 2024, Ningxia Pharma launched a volunteer activity of "Revive & Thrive: Clean Up for Civilized Progress". Ningxia Pharma leaders and volunteers fertilized the factory's green plants and cleaned up the environmental garbage in the factory. Everyone brought their own cleaning tools and protective gear to pick up garbage, reducing environmental pollutants and improving the cleanliness of the working environment. This activity effectively enhanced the company's environmental protection image and raised employees' awareness of ecological protection.  

10.6 BIODIVERSITY PROTECTION *(continued)*

Enterprise	Biodiversity Conservation Initiatives	
Limin Factory	Tree planting and greening	In March 2024, the CYL committee of Limin Factory actively responded to the call of the municipal CYL committee and convened more than 20 CYL members in the factory to participate in the "Planting Fresh Greenery, Cultivating Dreams for Tomorrow: Youth Pioneers Lead the 'Green & Beautiful Guangdong' 10,000-Youth Forest Event". The tree-planting event not only enhanced the appeal, cohesion, and unity of grassroots CYL organizations, but also improved the development concept of protecting the ecological environment and practicing ecological civilization among CYL members. A strong atmosphere of "universal engagement in greening initiatives: collaborative efforts to build a land of lucid waters and lush mountains". 

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 projects, we empower rural revitalization by assisting the industries, help solve the problem of imbalance in educational resources by donating to teachers and students in need, and take initiative to coordinate resources for disaster relief and disaster reduction, thereby making more contributions to promoting the construction of a healthy China and realizing common prosperity.

The Group takes the initiative to assume social responsibility and continues to increase investment in public welfare activities. During the Year, the expenditure of charitable donation of the Group amounted to RMB12.98 million, including cash donation of RMB10.90 million and in-kind donation worth RMB2.08 million.

11.1 RURAL REVITALIZATION

To facilitate the sustainability of the rural economy, the Company has formulated and implemented the plan of "Astragalus Membranaceus (黄芪) Industry Revitalization". Adopting the model of "Company + Base" and "Company + Specialty Cooperative" to build Astragalus membranaceus self-built bases and jointly built bases, the Company aims to drive local cultivation and processing of Astragalus membranaceus, build a genuine medicinal material industry for Astragalus membranaceus adapted to local conditions, and accelerate the construction of the "Chinese Medicine Ecological Base". In this way, a long-lasting and pillar industry for wealth generation will be created, and a new path to prosperity through the development of the distinctive Astragalus membranaceus industry will be forged.

The "Astragalus Membranaceus Industry Revitalization" plan 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 built and jointly built Astragalus membranaceus cultivation bases of over 20,000 mu. Datong Livzon regularly provides on-site technical guidance and GAP training for managers and leading farmers of the bases every year, and conducts practical training on the traceability of traditional Chinese medicinal materials. At present, all bases have been included in the Company's Good Agricultural Practice for Chinese Crude Drugs production management traceability system, sharing advanced technical resources with the Company.

During the Reporting Period, Datong Livzon's co-built and jointly built Astragalus membranaceus cultivation bases planted about 1,000 mu of Astragalus membranaceus, excavated about 3,500 mu of Astragalus membranaceus, and harvested about 709 tons of fresh Astragalus membranaceus. In cooperation with the village committee of Mazhuang Village in Guan'er Township, Hongyuan County of Datong City in Shanxi Province, Datong Livzon also carried out the project of "Joint Construction by Village and Enterprise" to build a local Astragalus membranaceus processing workshop, which was put into use in 2023. By 2024, the workshop has solved the employment of about 120 local farmers.

In July 2024, Datong Livzon's self-built and jointly built Astragalus membranaceus bases passed the extended inspection of pharmaceutical work safety in Guangdong Province (inspection of compliance with the Good Agricultural Practice for Chinese Crude Drugs).

11.2 SOCIAL AND PUBLIC WELFARE

• Public Welfare Project for Prevention and Treatment of Chronic Diseases

Since 2018, Livzon and its controlling shareholder, Joincare Pharmaceutical Industry Group Co., Ltd, have worked together to continuously implement, deep in rural areas, the "Public Welfare Project for Prevention and Treatment of Chronic Diseases". The project aims to provide assistance to needy people suffering from common chronic diseases such as high blood pressure, hyperlipidemia, cardiovascular and cerebrovascular diseases, and stomach diseases in remote areas, and to relieve the medical burden of patients' families in financial difficulties by contributing necessary therapeutic medicines.

As at the end of the Reporting Period, the Company had entered into a total of 31 agreements in relation to the Public Welfare Project for Prevention and Treatment of Chronic Diseases, covering 9 provinces and 4 autonomous regions across the country, and had benefited more than 30,000 low-income people with chronic diseases.

Chaotian District of Guangyuan City, Jinkouhe District of Leshan City, Songpan County of Ngawa Tibetan and Qiang Autonomous Prefecture, Jiange County, and Pingwu County in Sichuan Province; Hunyuan County, Guangling County, and Lingqiu County of Datong City in Shanxi Province; Dongxiang County, Tianzhu County, Linze County, Shandan County, and Huining County in Gansu Province; Xianghai National Nature Reserve in Jilin Province; Machun District of Jiaozuo City in Henan Province; Huangshan District of Huangshan City in Anhui Province; Suining County in Hunan Province; Fenyin County in Jiangxi Province; Ziyuan County in the Guangxi Zhuang Autonomous Region; Kashgar City in Xinjiang Uyghur Autonomous Region; Chayu County in Tibet Autonomous Region; Bairin Left Banner and Togtoh County in Inner Mongolia; Jiangshan City (County-level) of Quzhou City in Zhejiang Province; Gaize County of the Ngari Prefecture in Tibet Autonomous Region; Shandan County of Zhangye City in Gansu Province; Sunnan Yugur Autonomous County of Zhangye City in Gansu Province; and Bomi County of Nyingchi City in Tibet Autonomous Region.

11.2 SOCIAL AND PUBLIC WELFARE *(continued)*

• Education Support

Livzon actively responds to the national call for supporting high-quality education development of the country through a series of public welfare activities such as endowment to schools. The Company has established long-term education scholarship projects with well-known colleges and universities such as China Pharmaceutical University, Shenyang Pharmaceutical University, and Sichuan University to support scientific research and teaching efforts and the growth of outstanding students. During the Year, the Group also made charitable endowment to the Education Development Charity Association of Jinwan District, Zhuhai City, Ningxia Women and Children's Development Foundation, etc., to promote the balanced distribution of educational resources with practical actions.

In September 2024, the Company donated RMB100,000 to the Education Development Charity Association of Jinwan District, Zhuhai City (as part of an agreement to donate a total of RMB300,000, with annual payment of RMB100,000), intended for education scholarships and other activities.

11.2 SOCIAL AND PUBLIC WELFARE *(continued)*

• Disaster Relief

Livzon always cares about the welfare of society and actively fulfills its social responsibilities. In the face of sudden natural disasters, the Group acted quickly and efficiently mobilized internal and external resources. We provided emergency supplies including medicines to the affected areas as soon as possible and fully engaged in disaster relief efforts. Through a professional and prompt response mechanism, Livzon has demonstrated its responsibility in times of crisis.

In June 2024, when heavy rain in Meizhou City, Guangdong Province severely affected Meixian District, Pingyuan County, and Jiaoling County, Livzon immediately donated medicines worth approximately RMB510,000 to the affected areas.

• Volunteer Activities

To further promote the volunteer spirit, the Company established the Livzon Volunteer Association in 2022. As at the end of the Reporting Period, the total number of registered volunteers of the association reached 79, and the total volunteer service hours exceeded 800.

12

APPENDIX

12.1 LIST OF LAWS AND REGULATIONS AND POLICIES

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A1. Emissions	Environmental Protection Law of the PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC Water Pollution Prevention and Control Law of the PRC Atmospheric Pollution Prevention and Control Law of the PRC Environmental Protection Tax Law of the PRC Soil Pollution Prevention and Control Law of the PRC Regulations on the Prevention and Control of Environmental Pollution by Solid Waste of Guangdong Province National Catalogue of Hazardous Wastes (2021) Administrative Regulations for Urban Construction Waste Environmental Impact Assessment Law of the PRC Administrative Rules of Environmental Protection for Construction Projects Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2023) Technical Guideline for Deriving Hazardous Waste Management Plans and Records (HJ1259-2022) Administrative Measures for Hazardous Waste Transfer Self-monitoring Technology Guidelines for Pollution Sources–General Rule	Identification and Assessment Requirements of Environmental Factors Procedures for Air Emission Management Procedures for Noise Emission Management Procedures for Solid Waste Management Procedures for Hazardous Chemicals Management Procedures for Wastewater Management Soil Pollution Hazard Investigation System Guidelines for Management of EHS Changes "Three-Waste" and Noise Management System Hazardous Waste Management System Environmental, Occupational Health, and Safety Management Policy

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A1. Emissions	Self-monitoring Technology Guidelines for Pollution Sources–Pharmaceutical Industry Chemical Synthesis Products Category Standard for Pollution Control on the Non-Hazardous Industrial Solid Waste Storage and Landfill (GB18599-2020) Guideline for Deriving General Industrial Solid Waste Management Records (Interim) Measures for the Administration of Pollutant Discharge Permits Guidelines for the Identification of Potential Soil Pollution Hazards in Key Regulatory Units (Interim) Administrative Measures for the Legal Disclosure of Enterprise Environmental Information Administrative Measures for the List of Key Units Subject to Environmental Supervision Guideline on Available Techniques of Pollution Prevention and Control for Pharmaceutical Industry–Active Pharmaceutical Ingredients (Fermentation, Chemical Synthesis, Extraction) and Preparation Categories (HJ1305-2023) Discharge Standard of Water Pollutants for Pharmaceutical Industry Fermentation Products Category (GB 21903-2008) Emission Standards for Odor Pollutants (GB14554-2018) Technical Specifications for Collection, Storage, Transportation of Hazardous Waste Emission Standard for Industrial Enterprises Noise at Boundary	

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A2. Use of Resources	Energy Conservation Law of the PRC Circular Economy Promotion Law of the PRC	Procedures for Resources Management Procedures for Energy Management Energy Management System Environmental, Occupational Health, and Safety Management Policy
A3. The Environment and Natural Resources	Environmental Protection Law of the PRC Energy Conservation Law of the PRC Forestry Law of the PRC Regulations on the Implementation of the Forestry Law of the PRC Regulations on Restoring Farmland to Forest Measures for the Administration of Regenerative Felling of Forests Water Law of the PRC Regulations of the PRC on the Protection of Wild Plants Regulations on Protection of Wild Medicinal Resources Law of the People's Republic of China on the Protection of Wildlife	General Requirements of EHS Management System Environmental Hygiene Management System for Factory Area Soil Pollution Hazard Investigation System Contingency Plan for Environmental Emergency EHS "Three Simultaneous" Management System for Construction Projects Environmental Protection Responsibility System Environmental Performance Appraisal and Reward and Punishment System Environmental, Occupational Health, and Safety Management Policy

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
A4. Climate Change	Opinions of the Central Committee of the Communist Party of China and the State Council on Completely, Accurately, and Comprehensively Implementing the New Development Concept and Doing a Good Job in Carbon Peaking and Carbon Neutrality Action Plan for Carbon Peaking Before 2030 14th Five-Year Plan for Development of Pharmaceutical Industry	Contingency Plans for Extreme Weather Abnormal Weather Management Regulations Contingency Command Plans for Typhoon Prevention Contingency Plans for Production Safety Accidents Climate Change Management System Administrative Measures for Contingency Plans for Emergency
B1. Employment	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC Provisions on the Prohibition of Using Child Labor Individual Income Tax Law of the PRC	Labor Employment Management System Recruitment Management System Employee Retirement Reward Scheme Board Diversity Policy Remuneration Management System Administrative Measures for Remuneration Adjustment Provisions on the Base Salary of Fresh Graduates Administrative Measures for Job Grades Code of Labor Employment and Ethical Conduct Administrative Measures for Technical Sequence Positions Administrative Measures for the Performance of Functional Head Offices Employee Grievance Management System

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B2. Health and Safety	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC Work Safety Law of the PRC Law of the PRC on the Prevention and Control of Occupational Diseases Fire Prevention Law of the PRC Construction Law of the PRC Biosecurity Law of the PRC Special Equipment Safety Law of the PRC Regulations on the Supervision and Administration of the Implementation of Safety Responsibility by Special Equipment Users	General Requirements of EHS Management System Administrative Measures for EHS Accidents EHS Meeting and Inspection Management System Administrative Measures for EHS Information and Communication Management System for Identifying Hazard Sources and Grading and Controlling Safety Risks Regulations on Work Safety Penalties Work Safety Training Management System Work Safety Responsibility Management System Administrative Measures for Contingency Plans for Emergency Administrative Procedures for Occupational Health

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B2. Health and Safety	Regulations on Reporting, Investigation, and Handling of Special Equipment Accidents Standards for Determining Major Accident Hazards in Industrial and Trade Enterprises General Rules for the Storage of Hazardous Chemicals in Warehouses Regulations on the Safety Management of Hazardous Chemicals Code for Fire Protection Design of Buildings (GB50016-2014) 2018 Edition Fire Protection Standards for Engineering Design of Fine Chemical Enterprise (GB51283-2020) Standard for Fire Prevention Design of Petrochemical Enterprises (GB50160-2008) 2018 Edition General Code for Fire Protection of Buildings and Constructions (GB55037-2022) Standard of Construction Safety Inspection	Contingency Plans for Production Safety Accidents Contingency Command Plans for Typhoon Prevention EHS Culture of Livzon Group Management System for Investigating and Managing Accidental Hazards Contractor Safety Management System EHS "Three Simultaneous" Management System for Construction Projects Administrative Procedures for EHS Targets and Indicators Ten Prohibitions for Work Safety Environmental, Occupational Health, and Safety Management Policy Regulations on the Administration of Safety, Environmental Protection and Occupational Health Appraisal

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B3. Development and Training	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC	Work Safety Training Management System Administrative Measures for Administrative and Technical Sequences Quarterly Assessment and Incentive Plan for R&D Units (Interim) Administrative Regulations on Employee Learning and Growth Training Management System Administrative Procedures for Training Appraisal and Evaluation Administrative Procedures for Quality Control Laboratory Training Administrative Procedures for Personnel Qualification Confirmation
B4. Labor Standards	Labor Law of the PRC Labor Contract Law of the PRC Social Insurance Law of the PRC Special Regulations on Labor Protection of Female Employees Provisions on Medical Treatment Period for Enterprise Employees with Illness or Non-Work-Related Injuries	Labor Employment Management System Recruitment Management System Code of Labor Employment and Ethical Conduct Employee Grievance Management System

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B5. Supply Chain Management	Company Law of the PRC E-commerce Law of the PRC Tendering and Bidding Law of the PRC Implementation Guide for Traditional Chinese Medicine Traceability System Traditional Chinese Medicine Traceability Information Requirements – Cultivation of Traditional Chinese Medicinal Materials Traditional Chinese Medicine Traceability Information Requirements – Production of Traditional Chinese Medicine Tablets Good Agricultural Practice for Chinese Crude Drugs Guideline for Cold Chain (Transportation, Storage) Management of Medical Devices	Administrative Procedures for Supplier Standard Administrative Procedures for Supplier Audit Administrative Measures for Material Procurement Material Management System 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 Code of Conduct for Suppliers Administrative Measures for Construction Project Suppliers Anti-Corruption and Anti-Commercial Bribery Regulations Administrative Measures for Whistleblowing and Complaint Staff Commitment for Anti-Corruption and Anti-Commercial Bribery Administrative Measures for Cooperative Service Providers

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Patent Law of the PRC Trademark Law of the PRC Copyright Law of the PRC Drug Administration Law of the PRC Good Manufacturing Practice (GMP) EU GMP Annex 1: Manufacture of Sterile Products (13th Edition) Good Laboratory Practice (GLP) Good Clinical Practice (GCP) Good Supply Practice (GSP) Pharmacopoeia of the PRC Provisions for Drug Registration Provisions for the Supervision and Administration of Drug Manufacturing Administrative Measures for Drug Recalls Regulations on Protection of Traditional Chinese Medicines Advertising Law of the PRC Implementation Rules on the Drug Administration Law of the PRC Provisions for Drug Package Inserts and Labels Provisions for the Change Management of Post-approval Drugs (Interim) Good Pharmacovigilance Practice (GVP) Administrative Measures for Drug Inspection (Interim) Vaccine Administration Law of the PRC Personal Information Protection Law of the PRC	Procedures for Establishment of Independent Research and Development Projects Quality Management System Procedures for Drug Inspection and Acceptance Unqualified Product Management System Adverse Drug Reaction Reporting and Monitoring Management System Returned Product Management System Drug Traceability Management System Ten Prohibitions on QC Laboratory Management Administrative Measures for Quality Incidents Contingency Handling Procedures for Sampling Inspection Measures for Cross-examinations among R&D Enterprises Measures for Cross-examinations among Drug Preparations Manufacturing Enterprises Management System for Marketing Authorization Holder Administrative Procedures for Quality Internal Audit Administrative Procedures for Quality Complaints Administrative Procedures for Quality Information Management Rules for Qualified Persons Administrative Procedures for TCM Pre-treatment and Extraction Workshop Shared among Enterprises within Livzon Group Administrative Measures for Clinical Audit and Procedure Administrative Procedures for Quality Risks Operating Procedures for Product Recalls Contingency Plans for Material Product Safety Incidents

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Law of the PRC on Traditional Chinese Medicine Technical Guideline for the Revision of Safety Information Items in Package Inserts of Marketed Traditional Chinese Medicines (Interim) Technical Guidelines for the Compilation of Information Related to Children's Drug Use in the Instructions of Chemical Drugs and Therapeutic Biological Products (Interim) Regulations on the Supervision and Administration of Medical Devices Regulations on the Administration of Veterinary Drugs Good Manufacturing Practice for Veterinary Drugs Good Clinical Practice for Medical Devices Administrative Regulations on the Package Inserts and Labels of Medical Devices Administrative Measures for Veterinary Drug Package Inserts and Labels Chinese Veterinary Pharmacopoeia Measures for the Registration of Veterinary Drugs Administrative Measures for Medical Advertisements	Administrative Measures for Joint Audit on Commissioned Research Institution Administrative Measures for Joint Audit of Material Supplier Management Procedures for Design, Audit, Purchasing and Use of Package Inserts and Labels Management Procedures for Design, Review and Printing of Product Packaging Administrative System of Quality Enquiry Administrative System of After-sale Quality Complaints Procedures for Adverse Event Monitoring and Control Code of Conduct for Interaction with Healthcare Professionals Administrative Regulations on Meetings Related to Healthcare Professionals Anti-Corruption Code of Conduct in the Marketing System Responsible Marketing Policy of the Sales Center of API Business Department

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Measures for Drug Advertisement Review Implementation Measures for Early Settlement Mechanism of Drug Patent Disputes (Interim) Provisions on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Patent Disputes Related to Drugs of Which Applications for Registration are Filed General Data Protection Regulations (GDPR) Work Procedures for Drug Registration Inspection (Trial) Key Points and Determination Principles of Drug Registration Inspection (Pharmacological and Toxicological Study) (Trial) Key Points and Determination Principles of Drug Registration Inspection (Drug Clinical Trials) (Trial) Key Points and Determination Principles of Drug Registration Inspection (Pharmaceutical Development and Manufacturing Site) (Trial) Quality Management System–Requirements (GB/T 19001-2016) Regulations for the Administration of Affairs Concerning Laboratory Animals Guidance Suggestions for the Care and Use of Laboratory Animals	Packaging Design and Verification Workflow for Overseas Sales of Drug Preparations Workflow for Protection of Drug Clinical Trial Data Administrative Procedures for Printing and Packaging Materials Patent Workflow and Trademark Management System Administrative Procedures for Contamination Control Strategy (CCS) of Pharmaceutical Products Management Procedures for the Handling of Individual Case Safety Reports of Pre-approved Drugs Standards of Vulnerability Management Standards of Password Management Standards of Special Account Management Standards of Internet Security Management Administrative Regulations on Network Access Provisions of Document Encryption

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Biosecurity Law of the PRC Civil Code of the PRC Measures for the Quality Supervision and Administration of the Distribution and Use of Medicinal Products National Medical Products Administration Announcement on Strengthening Supervision and Management of Contract Manufacturing by Marketing Authorization Holder Regulations on the Supervision and Administration of Marketing Authorization Holder Implementing Main Responsibility of Drug Quality and Safety Notice on the Standard Use of Drug Names in Drug Advertisements Administrative Measures for the Clinical Application of Anti-bacterial Drugs Guidelines for the Clinical Application of Anti-bacterial Drugs Directories for the Classification Management of Clinical Application of Anti-bacterial Drugs Notice on Further Strengthening the Management of Anti-Microbial Drugs to Suppress Drug Resistance Detailed Rules for Drug Packaging and Labeling Standards Provisions for Supervision and Administration of Online Medical Device Sales	Standards of E-mail System Intrusion Analysis and Emergency Response Administrative Procedures for Quality Risks Procedures for Laboratory Animal Ethics Management Responsible Marketing Policy of Livzon Group Information System Operation and Maintenance Management System Information System Management System Emergency Response Management System Incident Response Plan of Data Breach Procedures for Management of QR Codes for Active Pharmaceutical Ingredients (APIs)

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B6. Product Responsibility	Provisions for Supervision and Administration of Medical Device Manufacturing Good Manufacturing Practice for Medical Devices Provisions for Supervision and Administration of Medical Device Distribution Good Agricultural Practice for Chinese Crude Drugs Administrative Measures for Pharmaceutical Qualified Persons of Guangdong Provincial Medical Products Administration Notice on Matters Related to Further Strengthening Supervision and Administration of Contract Drug Manufacturing in Guangdong Province Technical Guidelines for Research on Overfilling of Chemical Generic Drug Injections Special Regulations on the Management of Traditional Chinese Medicine Standards Technical Guidelines for Quality Control Research of Oral Traditional Chinese Medicine Preparations During Manufacturing (Trial) Technical Guidelines for Pharmaceutical Research on Compatibility and Stability of Chemical Drug Injections (Trial) Technical Guidelines for Pharmaceutical Research on Compatibility and Stability of Chemical Drug Injections (Trial) Technical Guidelines for Pharmaceutical Changes of Innovative Drugs (Chemical Drugs) During Clinical Trials (Trial) Technical Guidelines for Pharmaceutical Research and Changes of Biological Products During Clinical Trials (Trial) Technical Guidelines for Pharmaceutical Change Research of Marketed Vaccines (Trial)	Standard Operating Procedures for the Collection and Upload of QR Codes for Veterinary Drugs Standard Operating Procedures for the Use and Maintenance of QR Codes Management System for Hazard Investigation Contingency Plans for Work Safety Administrative Procedures for Pharmacovigilance System Administrative Procedures for Drug Safety Information Operating Procedures for Reporting Post-Approval Individual Case Safety of Drugs Operating Procedures for Handling Drug Safety Incidents Administrative Procedures for Pharmaceutical Changes of Innovative Drugs During Clinical Trials Administrative Procedures for Contract Manufacturing Administrative Procedures for Change Control Administrative Procedures for Qualified Persons

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B7. Anti-corruption	Criminal Law of the PRC Anti-Unfair Competition Law of the PRC Interim Provisions on Banning Commercial Bribery Notice on Serious Investigation and Punishment and Proactive Prevention of Duty Crime in Food and Drug Supervision Audit Law of the PRC Regulations of the Audit Office on Internal Audit Work Labor Law of the PRC Labor Contract Law of the PRC Company Law of the PRC Basic Standard for Enterprise Internal Control Application Guidelines for the Accounting Standards for Business Enterprises	Interim Provisions on Anti-Fraud Anti-Corruption and Anti-Commercial Bribery Regulations Code of Conduct for Sales Personnel of Livzon Group Management System for Construction Projects Administrative Measures for Major Construction Project Implementation Material Management System Administrative Measures for Material Procurement Administrative Measures for Approval of Allocation and Write-off of Idle Materials (Interim) Management System for Centralized Procurement of Materials Code of Professional Ethics for Employees Internal Audit Work System

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

ESG areas	Major laws and regulations, policies and standards observed	Some internal policies of the Company
B7. Anti-corruption		Administrative Measures for Whistleblowing and Complaint Corporate Internal Control Guidelines Code of Professional Ethics for Internal Auditors Staff Commitment for Anti-Corruption and Anti-Commercial Bribery Supplier Commitment for Operating with Integrity Labor Employment Management System Code of Labor Employment and Ethical Conduct Administrative Measures for Supplier Classification, Maintenance, Risk Assessment and Annual Appraisal 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	2022	2023	2024
A Environmental[1]				
A1 Emissions[2]				
A1.1 Types of emissions and respective emission data				
Industrial wastewater	tonne	4,530,994.9	4,921,781.5	4,853,012.5
Chemical Oxygen Demand (COD_{cr})	tonne	259.0	246.3	247.2
Ammonia nitrogen	tonne	9.3	10.6	8.7
Volatile organic compounds (VOC_s)	tonne	26.4	35.5	44.2
Nitrogen oxides (NO_X)	tonne	101.2	81.6	142.7
Sulphur dioxide (SO_2)	tonne	29.4	34.1	84.3
Particulate matter	tonne	16.5	12.4	12.8
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)	196,398.1	155,807.28	194,440.58
Indirect greenhouse gas emissions (Scope 2)[4]	CO_2 equivalent (in tonnes)	369,261.9	358,525.65	326,718.79
Total greenhouse gas emissions	CO_2 equivalent (in tonnes)	565,660.0	514,332.93	521,159.37
Intensity of greenhouse gas emissions[5]	CO_2 equivalent (in tonnes)/ RMB10,000	0.395	0.365	0.422

1 Environmental data disclosure covers all production companies of Livzon.

2 Disclosure of major pollutants/emissions by type and respective emission data according to the production characteristics of enterprises.

3 Scope 1 greenhouse gas ("GHG") emissions are mainly derived from direct GHG emissions from the consumption of fossil fuels in the company's operations/production processes (e.g. gasoline, diesel, natural gas, etc.). Emission factors and calculation methods refer to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Industrial Enterprises in Other Industries (Trial). The formula used is: CO_2 emissions from fossil fuel = fuel consumption × low level heat generation × carbon content per unit of calorific value × fuel carbon oxidation rate × 44/12.

4 Scope 2 GHG emissions are mainly derived from indirect GHG emissions from purchased electricity and steam consumed by the company's operations/production processes, calculated with reference to the document "Appendix 2: Reporting Guidance on Environmental KPIs" of the Hong Kong Stock Exchange. Specifically, the power emission factor for 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" (Huan Ban Qi Hou [2021] No. 9), and the power emission factor for 2023 adopts the grid emission factor 0.5703 tCO_2/MWh in the Notice on Carrying out Greenhouse Gas Emission Reporting and Verification for Selected Key Industries for the Years 2023-2025.

5 The intensity in 2022-2024 was calculated based on RMB10,000 of output value.

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

ESG Indicator	Unit	2022	2023	2024
A Environmental[1]				
A1 Emissions[2]				
A1.3 Total hazardous waste produced and intensity				
Total hazardous waste[6]	tonne	3,532.3	2,708.2	2,791.0
Hazardous waste intensity[5]	kg/RMB10,000	2.5	1.92	2.3
Of which: medical waste (HW02) and waste medicines (HW03)	tonne	1,954.0	1,676.1	1,728.8
Other hazardous waste[7]	tonne	1,578.3	1,032.0	1,062.2
Disposal method:				
Total hazardous waste recycled/reused	tonne	844.3	423.0	546.2
Total hazardous waste disposed	tonne	2,688.0	2,285.2	2,791.0
A1.4 Total non-hazardous waste produced and intensity				
Total non-hazardous waste[8]	tonne	114,580.9	103,491.2	100,364.7
Non-hazardous waste intensity[5]	kg/RMB10,000	80.0	73.40	81.16
Disposal method:				
Total non-hazardous waste recycled/reused[9]	tonne	10,830.5	47,261.9	24,139.9
Total non-hazardous waste disposed	tonne	103,750.4	56,229.3	99,544.2

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

7 During 2022 to 2024, no highly radioactivity waste was released.

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

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

ESG Indicator	Unit	2022	2023	2024
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	219,086.4	266,040.5	217,607.7
Diesel	liter	165,774.7	206,607.4	209,661.6
Coal	tonne	88,244.2	66,894.5	83,607.5
Natural gas	10,000 cubic meters	584.5	689.8	737.4
Liquefied petroleum gas	tonne	6.8	3.7	0.55
2. Indirect energy				
Purchased electricity	kWh	423,624,184.5	416,608,822.9	413,542,489.2
Of which: Intensity of purchased electricity[5]	kWh/RMB10,000	295.9	295.48	334.43
Purchased steam	tonne	416,061.3	411,261.6	357,611.3
Total non-renewable energy consumption	MWh	1,324,392.2	1,199,298.2	1,256,136.2

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

ESG Indicator	Unit	2022	2023	2024
A Environmental[1]				
A2 Use of Resources				
A2.1 Direct and indirect energy consumption by type in total and intensity				
II. Renewable energy				
1. Direct energy				
Alcohol based liquid fuel	tonne	0.0	0.0	0.0
Biomass fuel	tonne	9.9	1,004.0	3,668.25
Solar power (self-use)	kWh	1,044,773.0	431,250.0	25,388.0
2. Indirect energy				
Solar power (purchased)	kWh	235,701.0	1,192,325.8	1,496,252.0
Total renewable energy consumption	MWh	1,320.8	5,708.2	16,445.4
III. Total energy consumption[9]				
1. Direct energy consumption[10]	MWh	580,898.6	472,417.4	584,692.15
2. Indirect energy consumption[11]	MWh	744,814.4	732,589.0	687,889.36
Total energy consumption[9]	MWh	1,325,713.0	1,205,006.4	1,272,581.51
Intensity of total energy consumption[5]	MWh/RMB10,000	0.9	0.85	1.03

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	2022	2023	2024
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	5,189,580.3	4,452,079.5	4,119,908.25
Fresh surface water consumption (B)	tonne	243,835.0	179,227.0	207,101.0
Fresh groundwater consumption (C)	tonne	215,184.0	1,573,530.0	1,597,948.0
Fresh water consumption = A+B+C	tonne	5,648,599.3	6,204,836.5	5,924,957.25
Alternative water consumption[12]	tonne	0	0	0
Total water consumption[13]	tonne	5,648,599.3	6,204,836.5	5,924,957.25
Intensity of water consumption (fresh water)[5]	tonne/RMB10,000	4.0	4.40	4.8
Reclaimed water consumption	tonne	64,836	91,952.0	66,257.0
Water recycling rate	%	4.79	3.21	3.7
A2.5 Total packaging material used for finished products and with reference to per unit produced				
Paper packaging material	tonne	4,829.83	6,128.75	5,050.76
Other packaging material	tonne	8,288.08	7,988.44	7,704.12
Total packaging material used	tonne	13,117.91	14,117.20	12,754.89
Intensity of packaging material used[5]	kg/RMB10,000	9.16	10.01	10.31

[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	2022	2023	2024
B Social					
B1 Employment					
B1.1 Total workforce by gender, employment type, age group and area					
Total number of employees		person	9,005	8,933	9,067
Gender	Male	person	4,728	4,703	4,764
	Female	person	4,277	4,230	4,303
Employee category	General manager and above	person	80	81	94
	Director	person	168	183	184
	Manager	person	908	897	904
	Other employees	person	7,849	7,772	7,885
Age	30 and below	person	3,424	3,226	3,183
	31-49	person	5,066	5,156	5,306
	50 and above	person	515	551	578
Area	China's mainland	person	8,991	8,921	9,060
	Hong Kong, Macao and Taiwan	person	3	2	0
	Overseas areas	person	11	10	7

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

ESG Indicator	Unit	2022	2023	2024
Diversity				
Number of minority staff[14]	person	540	547	559
Ratio of minority staff	%	6.0	6.1	6.1
Ratio of minority staff in management	%	3.4	3.1	3.0
Number of women in management	person	397	415	438
Ratio of women in management	%	34.3	35.8	37.0
Number of senior officers	person	8	7	8
Number of female senior officers	person	2	2	2
Ratio of female senior officers	%	25.0	28.6	25.0
Average ratio of female senior officers over the past three years	%	25.0	26.2	26.2
Ratio of women at general manager and above	%	27.5	32.1	29.8
Ratio of women at director	%	31.0	29.5	33.7
Ratio of women at manager	%	35.6	37.4	38.4
Ratio of women holding managerial roles in revenue-generating functions	%	24.9	25.9	28.7
Ratio of women in STEM-related positions	%	60.2	58.0	58.1

[14] The top three minorities of Group are Hui (2.7%), Zhuang (1.2%) and Miao (0.5%). The ratio of Hui, Zhuang and Miao in the Group's management is 0.42%, 0.84% and 0.08%, respectively.

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

ESG Indicator		Unit	2022	2023	2024
Years of employment					
Average years of service for female staff		year/person	7.7	7.7	8.0
Average years of service for male staff		year/person	9.7	9.5	10.1
New recruits					
Total number of new recruits		person	2,443	2,238	2,021
Gender	Male	person	1,298	1,210	1,101
	Female	person	1,145	1,028	920
Employee category	General manager and above	person	3	3	4
	Director	person	12	8	19
	Manager	person	186	167	181
	Other employees	person	2,242	2,060	1,817
Age	30 and below	person	1,578	1,457	1,285
	31-49	person	852	765	730
	50 and above	person	13	16	6
Area	China's mainland	person	2,439	2,236	2,019
	Hong Kong, Macao and Taiwan	person	2	1	1
	Overseas areas	person	2	1	1
Employment absorption					
Number of newly recruited staff through recruitment absorption		person	Not disclosed	Not disclosed	246
Number of newly recruited staff through flexible recruitment		person	Not disclosed	Not disclosed	60

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

ESG Indicator		Unit	2022	2023	2024
Internal recruitment					
Percentage of internal recruits[15]		%	19.08	26.98	31.7
Gender	Male	%	57.29	53.93	56.70
	Female	%	42.71	46.07	43.30
Employee category	General manager and above	%	0.17	1.81	2.87
	Director	%	5.21	4.96	3.62
	Manager	%	23.78	24.55	22.23
	Other employees	%	70.83	68.68	71.28
Age	30 and below	%	37.50	34.70	38.30
	31-49	%	59.55	61.79	56.49
	50 and above	%	2.95	3.51	5.21
Area	China's mainland	%	99.83	100.00	99.79
	Hong Kong, Macao and Taiwan	%	0.00	0.00	0.00
	Overseas areas	%	0.17	0.00	0.21

[15] The internal recruitment ratio is calculated as: total number of vacancies taken by the Group's own staff during the year/the total number of vacancies of the Group during the year.

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

ESG Indicator		Unit	2022	2023	2024
B Social					
B1 Employment					
B1.2 Employee turnover rate by gender, age group and area[16]					
Total employee turnover rate		%	10.82	13.45	10.38
Gender	Male	%	10.09	12.26	9.99
	Female	%	11.64	14.78	10.82
Age	30 and below	%	12.98	17.66	14.28
	31-49	%	9.60	10.79	7.93
	50 and above	%	4.03	3.95	4.67
Area	China's mainland	%	10.81	13.45	10.37
	Hong Kong, Macao and Taiwan	%	25.00	25.00	33.33
	Overseas areas	%	18.18	8.33	9.09
Employee category	General manager and above	%	1.15	2.41	10.59
	Director	%	9.79	2.27	6.44
	Manager	%	13.90	13.49	14.84
	Other employees	%	10.60	13.73	9.96

[16] The employee turnover rate is calculated as: the number of resignations (in the specified category) / total number of staff at the beginning of the period (in the specified category) + new recruits (in the specified category).

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

ESG Indicator		Unit	2022	2023	2024
B Social					
B2 Health and Safety					
B2.1 Number and rate of work-related fatalities that occurred in each of the past three years (2022-2024)					
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	143	21	498
Investment in work injury insurance and safety liability insurance					
Amount invested in staff injury insurance		RMB10,000	Not disclosed	Not disclosed	520.74
Amount invested in work safety liability insurance		RMB10,000	Not disclosed	Not disclosed	24.55
Coverage of injury insurance for workers		%	Not disclosed	Not disclosed	99.91
B3 Development and Training[17]					
B3.1 Percentage of trained staff by gender and staff category					
Percentage of trained staff in total staff		%	100	100	98.40
Gender	Male	%	52.50	52.65	52.49
	Female	%	47.50	47.35	47.51
Employee category	General manager and above	%	0.89	0.91	1.03
	Director	%	1.87	2.05	2.08
	Manager	%	10.08	10.04	10.14
	Other employees	%	87.16	87.00	86.75

[17] The calculation of training related data of B3 refers to the Hong Kong Stock Exchange's Appendix III: Guidelines for Reporting on Social Key Performance Indicators.

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

ESG Indicator		Unit	2022	2023	2024
B3.2 Average number of training hours per employee by gender and employee category					
Average number of training hours per employee		hour/person	80.1	74.3	102.3
Gender	Male	hour/person	80.1	69.2	100.2
	Female	hour/person	80.1	80.1	104.6
Employee category	General manager and above	hour/person	51.6	12.0	17.0
	Director	hour/person	71.0	28.8	45.6
	Manager	hour/person	68.0	31.8	43.6
	Other employees	hour/person	82.0	81.0	111.5
Average number of training hours per staff by age, area and type of training					
Age	30 and below	hour/person	77.5	106.6	145.4
	31-49	hour/person	82.0	55.1	77.1
	50 and above	hour/person	79.4	65.4	92.8
Area	China's mainland	hour/person	80.1	74.4	102.4
	Hong Kong, Macao and Taiwan	hour/person	82.3	30.7	94.0
	Overseas areas	hour/person	77.9	26.4	11.4
Average length of training per staff involved in management training		hour/person	3.6	21.3	20.3
Average length of training per staff involved in leadership training		hour/person	4.6	36.7	47.3
Staff training expenditure					
Per capita expenditure on staff training and development		RMB/person	478.45	598.88	501.79
Employee engagement survey					
Proportion of staff who expressed "very satisfied" and "satisfied" in the employee engagement survey among total staff		%	72.39	75	80
Target of the year set for the proportion of staff who expressed "very satisfied" and "satisfied" in the employee engagement survey among total staff		%	75	76	/

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

ESG Indicator		Unit	2022	2023	2024
B Social					
B5 Supply Chain Management					
B5.1 Number of suppliers by region					
Total number of suppliers		nos	1,877	2,086	2,059
Region	Number in Southern China	nos	667	709	744
	Number in Eastern China	nos	724	797	779
	Number in Northern China	nos	188	194	193
	Number in Central China	nos	131	187	159
	Number in Northeastern China	nos	31	30	23
	Number in Northwestern China	nos	92	111	110
	Number in Southwestern China	nos	36	47	44
	Number in foreign countries	nos	8	11	7
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	77	80	87
Medication queries		nos	20	17	21
Major liability incidents related to safety and quality of products and services					
Major safety and quality liability accidents related to products and services		case	Not disclosed	Not disclosed	0
Amount involved in administrative penalties caused by major liability incidents related to safety and quality of products and services		RMB	Not disclosed	Not disclosed	0
Amount involved in damages caused by major liability incidents related to safety and quality of products and services		RMB	Not disclosed	Not disclosed	0

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

ESG Indicator	Unit	2022	2023	2024
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 participated in anti-corruption training	person	11	11	9
Total length of anti-corruption training provided to directors	hour	22	22	22.5
Number of staff who participated in anti-graft training	person	9,005	8,933	8,922
Total length of anti-graft training provided to staff	hour	22,422.5	17,020.7	1,8190.0
B8 Community Investment				
B8.2 Resources contributed to the focus areas				
Cash donation	RMB10,000	373.1	1,349.8	1,089.7
In-kind donation	RMB10,000	624.7	348.3	208.0
Total investment in charitable donations	RMB10,000	997.8	1,698.1	1,297.7
Of which: Investments in health	RMB10,000	330.8	261.2	457.8
Investments in education	RMB10,000	61.5	560.2	561.0
Investments in disaster relief	RMB10,000	322.1	625.1	47.2
Investments in rural revitalization and industrial assistance	RMB10,000	254.7	196.1	222.3
Other investments	RMB10,000	28.7	55.5	9.4

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CONTENT INDEX

13.1 CONTENT INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE" OF THE HONG KONG STOCK EXCHANGE

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	KPI A1.2	12.2
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	KPI A1.4	12.2
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13.1 CONTENT INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE" OF THE HONG KONG STOCK EXCHANGE *(continued)*

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPI")		Corresponding Section(s)
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13.1 CONTENT INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE" OF THE HONG KONG STOCK EXCHANGE *(continued)*

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPI")		Corresponding Section(s)
B. Social		
Operating Practices		
Aspect B5: Supply Chain Management	General disclosure	8, 12.1
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	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
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Aspect B8: Community Investment	General disclosure	11, 12.1
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13.2 CONTENT INDEX OF SELF-REGULATORY GUIDELINES NO. 17 FOR COMPANIES LISTED ON SHENZHEN STOCK EXCHANGE - SUSTAINABILITY REPORTING (TRIAL)

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1	Climate response	Articles 21 to 28	10.5
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3	Waste disposal	Article 31	10.3
4	Ecosystem and biodiversity protection	Article 32	10.6
5	Environmental compliance management	Article 33	10.1, 10.2
6	Energy utilization	Article 35	10.4.2
7	Water resources utilization	Article 36	10.4.1
8	Circular economy	Article 37	10.4.2
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10	Social contributions	Article 40	11
11	Innovation driven	Article 42	6
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13	Supply chain security	Article 45	8
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15	Product and service safety and quality	Article 47	7
16	Data security and customer privacy protection	Article 48	5.2
17	Employees	Article 50	9.4
Sustainability-related Governance			
18	Due diligence	Article 52	4
19	Stakeholder engagement	Article 53	4.3
20	Anti-commercial bribery and anti-corruption	Article 55	5.1, 8.3
21	Anti-unfair competition	Article 56	5.1, 8.3

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