



2023

Social Responsibility Report

健康元 药业集团股份有限公司
Joincare Pharmaceutical Group Industry Co., Ltd.





For the health For the future



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01

The Report at a Glance

Overview

The report, covering the period from 1 January 2023 to 31 December 2023, is the seventh corporate social responsibility (CSR) report issued by Joincare Pharmaceutical Group Industry Co., Ltd. (Stock Code: 600380). In view of the continuity and comparability of certain data, some contents of this report may be extended or traced back to other periods where applicable.

Scope of the Report

The report covers Joincare and its wholly-owned subsidiaries and holding subsidiaries.

Preparation Basis

This report is prepared mainly in accordance with the No.1 Guidelines for Self-discipline Regulation of Listed Companies on the Shanghai Stock Exchange - Operating in a Well-Regulated Manner and with reference to the Environmental, Social and Governance (ESG) Reporting Guide published by the Hong Kong Stock Exchange (i.e. SEHK). To ensure the completeness, materiality, authenticity and balance of the content, the preparation of this report has gone through a systematic set of procedures, including identifying key stakeholders, identifying and prioritising material issues, determining the scope of this report, collecting relevant materials and data, reviewing the data and preparing the report based on the information gathered.

Definitions

For the sake of compendious expression and smooth reading, unless otherwise specified, “Joincare”, “the Company”, “the Group”, “Group” and “we” mentioned in this report all refer to Joincare Pharmaceutical Group Industry Co., Ltd. This report involves several subsidiaries of Joincare. Moreover, the full names and abbreviations of the subsidiaries used in the report are listed below:

Company Name	Abbreviation
Shenzhen Haibin Pharmaceutical Co., Ltd.	Haibin Pharma
Xinxiang Haibin Pharmaceutical Co., Ltd.	Xinxiang Haibin
Shenzhen Taitai Pharmaceutical Co., Ltd.	Taitai Pharmaceutical
Jiaozuo Joincare Bio Technological Co., Ltd.	Jiaozuo Joincare
Joincare Haibin Pharmaceutical Co., Ltd.	Joincare Haibin
Shanghai Frontier Health Pharmaceutical Technology Co., Ltd.	Shanghai Frontier
Guangzhou Joincare Respiratory Drugs Engineering Technology Co., Ltd.	Guangzhou Joincare
Livzon Pharmaceutical Group Inc.	Livzon Group
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.	Sichuan Guangda

Company Name	Abbreviation
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd.	Shanghai Livzon
Livzon Group Livzon Pharmaceutical Factory	Livzon Pharmaceutical Factory
Livzon Group Limin Pharmaceutical Manufacturing Factory	Livzon Limin
Zhuhai Livzon Diagnostics Inc.	Livzon Diagnostics
Zhuhai Livzon Biotechnology Co., Ltd.	LivzonBio
Zhuhai Livzon Microsphere Technology Co., Ltd.	Livzon Microsphere
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.	Livzon Xinbeijiang
Gutian Fuxing Pharmaceutical Co., Ltd.	Gutian Fuxing
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.	Jiaozuo Livzon
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.	Ningxia Pharmaceutical
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.	Livzon Hecheng
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.	Fuzhou Fuxing
Livzon MABPharm Inc.	Livzon MAB
Shanghai Livzon Biotechnology Co., Ltd., Jiaozuo Branch	Shanghai LivzonBio

Data Sources and Reliability Statement

Data and cases disclosed in this report are derived from official documents, statistical reports, relevant public information and internal reporting documents. Joicare guarantees that this report does not contain any false representation or misleading statement and assumes liability for the authenticity, accuracy and completeness of this report.

Confirmation and Approval of this Report

The contents of this report have been confirmed by the management and been approved by our Board of Directors on 2 April 2024.

Access and Response to the Report

This report can be accessed or downloaded from the official website of the Shanghai Stock Exchange (www.sse.com.cn) and our official webpage (www.joicare.com). Should you need to make further inquiries, comments or suggestions regarding this report, please contact us via fax (0755-86252165) or email (joicare@joicare.com).

This report is originally written in Chinese, and this English version is for stakeholders' reference only. Should ambiguities arise between the two versions, the Chinese version shall prevail.

02

Chairman's Statement

Dear stakeholders and friends,

In 2023, the Healthy China Initiative has been promoted, the medical system reform has been deepened, and the country has strongly supported pharmaceutical R&D and innovation. Thanks to these efforts, the national health policy and system have been further solidified. Given the new circumstances and requirements of the healthcare industry, we actively respond to the changes and seize development opportunities while delivering on our mission of “For the health, For the future”. Supported by technological innovation, we are committed to the dual-drive strategy of “innovative medicines + high-barrier complex formulations”, making our contribution to promoting national health during the 14th Five-Year Plan period.

We continue to optimise corporate governance system and steadily improve our ESG system. In 2023, MSCI, an international authoritative index institution, upgraded Joincare's ESG rating from “BBB” to “AA”, reaching a leading position in the industry. This Upgrade fully reflects that our ESG performance and sustainable development capability were highly recognised by the international capital market.

Upholding fundamental principles, breaking new ground, and increasing investment in R&D, we have built a well-balanced pipeline that includes respiratory, gastroenterology, assisted reproduction, psychiatry and tumour immunity. And we also build innovative R&D technology platforms for inhalation administration, antibody, sustained-release microspheres, complex injection formulations, among others. Focusing on clinical needs, we endeavour to improve the availability and affordability of high-quality pharmaceutical products and services. In 2023, Tobramycin Inhalation Solution (健可妥®), a modified new drug developed independently by the Group, was included in Class B of China's National Reimbursement Drug List (NRDL). As China's first inhaled antibiotics, 健可妥® offers a more effective option for patients with bronchiectasis.

Guided by clinical value, the Group expands its product matrix and R&D pipeline by developing short-term high-certainty R&D projects and technologies with long-term growth potential. At the same time, we actively explore cutting-edge technologies and development opportunities both domestically and internationally, and strengthen cooperation with external organisations. The newly introduced influenza antiviral drug TG-1000 Capsules has entered phase III clinical trials this year. As our innovation mode of “independent R&D as the foundation and external introduction as an accelerator” gradually matures, we are striving to make solid strides in innovation and reap practical fruits.

Guided by the corporate value of “Putting People First”, we continue to safeguard the rights and interests of employees, smooth communication channels, and create a diversified and inclusive working environment. We also improve the compensation and welfare system and establish a targeted training system. In addition to ensure occupational health and safety for employees, we are committed to addressing their concerns and share the fruits of corporate development with them.

The Group takes concrete action to protect environment in accordance with the environmental management approach of “pollution prevention, legal compliance and continuous improvement”. In 2023, we published the Climate Change Management System. According to the system, we are working to enhance energy efficiency, increase green investment and make every effort to achieve carbon emissions peaking by 2028 and carbon neutrality by 2055. This is how we practice the green development concept that “lush mountains and clear waters are invaluable assets”.

Being a good corporate citizen, the Group has actively responded to the national call to invest in promoting a healthy China and revitalising rural. We continue our “Access to Public Welfare for Chronic Diseases Prevention and Treatment Programme” to effectively alleviate the financial burden of low-income families. We fully support industrial assistance to effectively consolidate the achievements of poverty alleviation and popularise medical knowledge in a well-organised manner to help enhance public health awareness. Joicare will devote itself to meeting the needs of society and the expectations of the country. While maintaining a prudent approach, we will take the initiative to fulfil our responsibilities, and give back to society.

Looking ahead to 2024, Joicare will strive to deliver sustainable value for various stakeholders and remain true to its core values of “Putting people first, Valuing workmanship and quality, Pursuing innovation and truth, Promoting cooperation and sharing”, to become a staunch advocator, supporter and executant of the Healthy China Initiative.

Chairman: Zhu Baoguo

April 2, 2024



03

About Joincare

3.1 Group Overview

The business scope of Joincare covers multiple areas, such as chemical pharmaceuticals, biologics, chemical active pharmaceutical ingredients (APIs) and intermediates, traditional Chinese medicine (TCM) drugs, diagnostic reagents and equipment, and healthcare products.

The Group has strong R&D capabilities and global R&D concepts in the fields of chemical pharmaceuticals, traditional Chinese medicine, biologics, diagnostic reagents, and healthcare products. Our R&D pipelines focusing on the fields of respiratory, anti-infection, anti-tumour, gonadotropic hormones, gastroenterology and neurology are refined and well-balanced. In recent years, we have devoted ourselves to innovating and improving monoclonal antibodies (MAB), inhalation formulations, long-acting sustained-release microspheres, complex formulations and other technology platforms. Through the efforts mentioned above, we further improve our product portfolios, business and core competitiveness.

Table: Main Products of the Group

Chemical Pharmaceuticals

Respiratory



健可妥®
(Tobramycin Inhalation Solution)



丽舒同®
(Levosabutamol Hydrochloride Nebuliser Solution)



雾舒®
(Budesonide Suspension for Inhalation)



丽雾安®
(Ipratropium Bromide Solution for Inhalation)

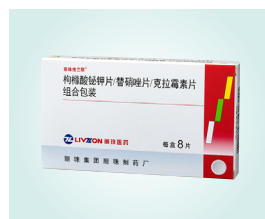
Gastroenterology



壹丽安®
(Ilaprazole Enteric-Coated Tablets)



壹丽安®
(Ilaprazole Sodium for Injection)



丽珠维三联®
(Bismuth Potassium Citrate Tablets/Tinidazole Tablets/Clarithromycin Tablets)



丽珠得乐®
(Bismuth Potassium Citrate Tablets)

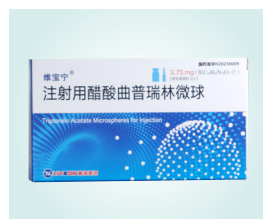
Gonadotropic hormones



贝依®
(Leuporelin Acetate
Microspheres for Injection)



丽申宝®
(Urofollitropin for Injection)



维宝宁®
(Triptorelin Acetate Microspheres
for Injection)



丽曲欣®
(Cetorelix Acetate Powder for
Injection)

Psychiatry



瑞必乐®
(Fluvoxamine Maleate Tablets)



康尔汀®
(Perospirone Hydrochloride
Tablets)



倍能®
(Meropenem for Injection)



丽福康®
(Voriconazole for Injection)

Anti-infection

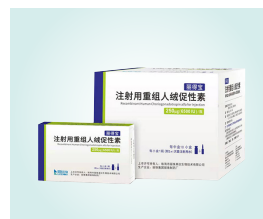
Biologics



丽康民®
(Recombinant SARS-CoV-2
Fusion Protein Bivalent
(Prototype/Omicron XBB
Variant) Vaccine (CHO Cell))



安维泰®
(Tocilizumab Injection)



丽得宝®
(Recombinant Human
Choriogonadotropin alfa for
Injection)



丽康乐®
(Mouse Nerve Growth Factor
for Injection)

Chemical APIs and intermediates

Drugs for humans:

7-ACA, Meropenem Trihydrate, Daptomycin, Dalbavancin, Vancomycin, Mevastatin and Acarbose

Veterinary drugs:

Milbemycin Oxime and Moxidectin

TCM drugs



Anti-tumour
Shenqi Fuzheng Injection



Cold medicine
Anti-viral Granules

Diagnostic reagents and equipment



Mycoplasma pneumoniae IgM
Antibody Test (Colloidal gold
method)



Antinuclear Antibody Test
Kit (17) (Magnetic Barcode
Immunofluorescence)

Healthcare products



Jingxin Oral Liquid



Eagle's American Ginseng Tea

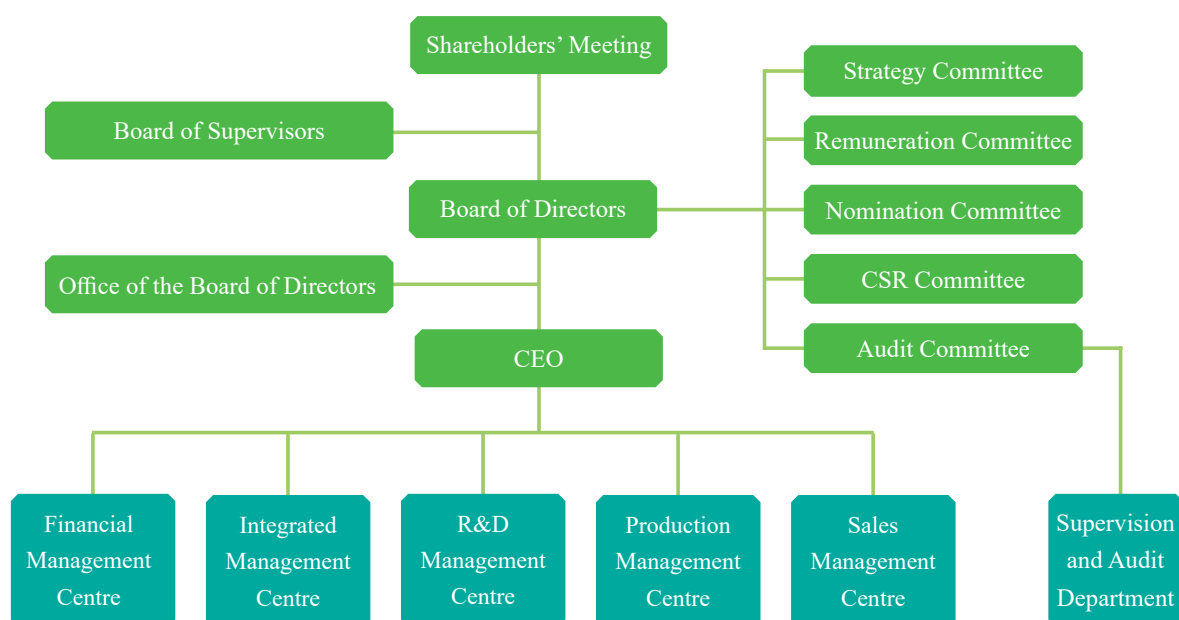


Taitai Oral Liquid



Eagle's American Ginseng
Tea Beverage

3.2 Organisational Structure



3.3 Corporate Culture

Since the establishment in 1992, Joincare has constantly been focusing on the field of healthcare, always staying true to its original aspiration in its ongoing inheritance and innovation. Gradually, we have formed a corporate mission - "For the health, For the future". Along this journey, we always act in the interests of patients and focus on safeguarding human life and health. We take scientific and technological innovation as the strategic foundation, adhere to the dual-drive strategy of "Innovative Medicines and High-Barrier Complex Formulations", and carefully conceive a new vision of "Diligently make high-quality drugs and innovative drugs". In addition, we actively and continuously contribute to building a community with a shared future for the public. Even while focusing on business development, we take "Putting people first, Valuing workmanship and quality, Pursuing innovation and truth, Promoting cooperation and sharing" as core values. We consider the quality of products, the training of talents, and the strength of R&D of the utmost importance, thereby advocating the coexistence of the humanistic spirit and the scientific spirit, and actively assuming obligations and responsibilities for the development of human health.



Mission

For the health, For the future



Vision

Diligently make high-quality
drugs and innovative drugs



Core values

Putting people first,
Valuing workmanship and quality,
Pursuing innovation and truth,
Promoting cooperation and sharing

3.4 Key Performance

During the reporting period, Joincare achieved total revenues of RMB16.646 billion, representing a year-on-year decrease of 2.90%; achieved net profits attributable to shareholders of the listed company of RMB1.443 billion, representing a year-on-year decrease of about 3.99%; and achieved net profit attributable to shareholders of the listed company after extraordinary gain or loss of RMB1.374 billion, representing a year-on-year decrease of about 3.18%.

At the same time, the Group has been actively undertaking corporate social responsibilities and constantly creating social value. In 2023, the Group generated tax revenues for the government of RMB1.866 billion, paid RMB2.460 billion in salary to employees, distributed dividends and paid interest worth RMB1.615 billion to banks and other creditors, donated funds and goods totalling RMB 25.985 million to society, and achieved a social contribution per share of approximately RMB3.97 for the society in 2023.

Total revenues

16.646 billion

Net profits attributable to
shareholders of the listed company

1.443 billion

Tax revenues for the government

1.866 billion

Salary to employees

2.460 billion

Donated funds and goods

25.985 million

Social contribution per share

3.97

3.5 Honours

● February 2023

2022 China Pharmaceutical Social Responsibility Media Observation - Responsibility Pioneer

National Medical Products Administration Institute of Medical Economics, <https://www.yyjyb.com.cn/>

● April 2023

Best ESG Information Disclosure Award
NewFortune

● June 2023

2023 TOP 100 China's Chemical Drug R&D Strength Ranking

www.yaozh.com, China Pharmaceuticals Magazine

2023 TOP 100 China Drug R&D Comprehensive Strength Ranking

www.yaozh.com, China Pharmaceuticals Magazine

No. 9 in China's Top 100 Chemical Pharmaceutical Enterprises

www.menet.com.cn

● March 2023

Guangdong Pharmaceutical Industry Anti-Epidemic Pioneer

Guangdong Pharmaceutical Profession Association

● May 2023

Certification of Inclusion in the Key Trademark Protection List in Guangdong Province - Dexamethasone Acetate

Key Trademark Protection Committee of Guangdong Trademark Association

Health Promotion Enterprise (Silver Award)

Shenzhen Health Education and Promotion Centre under the Health Commission of Shenzhen Municipality

● September 2023

No. 441 in 2023 Top 500 China's Manufacturing Private Enterprises

All-China Federation of Industry and Commerce

No. 40 in 2023 Top 100 Manufacturing Private Enterprises in Guangdong Province

Guangdong Federation of Industry & Commerce

No. 71 in 2023 Top 100 Private Enterprises in Guangdong Province

Guangdong Federation of Industry & Commerce

● October 2023

2023 Excellent Practice Cases of Listed Companies in Rural Revitalisation

China Association for Public Companies

Top 20 Board Governance of Listed Companies in the Greater Bay Area

Shenzhen Research Association of Corporate Governance

● July 2023

ESG New Benchmarking Enterprise Award

StockStar ESG Alliance with Joint Efforts and Shared Benefits

2022 Annual Outstanding Enterprise in the Pharmaceutical Corporate Social Responsibility List by Southern Weekly

China Corporate Social Responsibility Research Centre of Southern Weekly

● November 2023

2023 Excellent Practice Cases of the Best Practice Creation Activity of the Board of Directors of Listed Companies

China Association for Public Companies

No. 65 in 2022 Top 100 Enterprises in China's Pharmaceutical Industry

Ministry of Industry and Information Technology, the People's Government of Beijing Municipality, National Health Commission, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Traditional Chinese Medicine, and National Medical Products Administration

2023 Guangdong Pharmaceutical Industry Advanced Enterprise for Statistics Work

Guangdong Pharmaceutical Profession Association

04

Responsible Governance

SDGs in this section



Joincare believes in the paramount importance of performing corporate social responsibility (CSR) to long-term and sustainable development. We integrate the CSR strategy into our daily operations and management to constantly improve CSR governance of the Group. We actively communicate with stakeholders to understand and respond to their demands. We make unremitting efforts to strengthen compliance management by establishing a comprehensive risk management system. Adhering to the party-masses'spirit, we carry out business activities in an upright and self-disciplined manner. By doing so, we lay a solid foundation for the sustainable development of the Group.

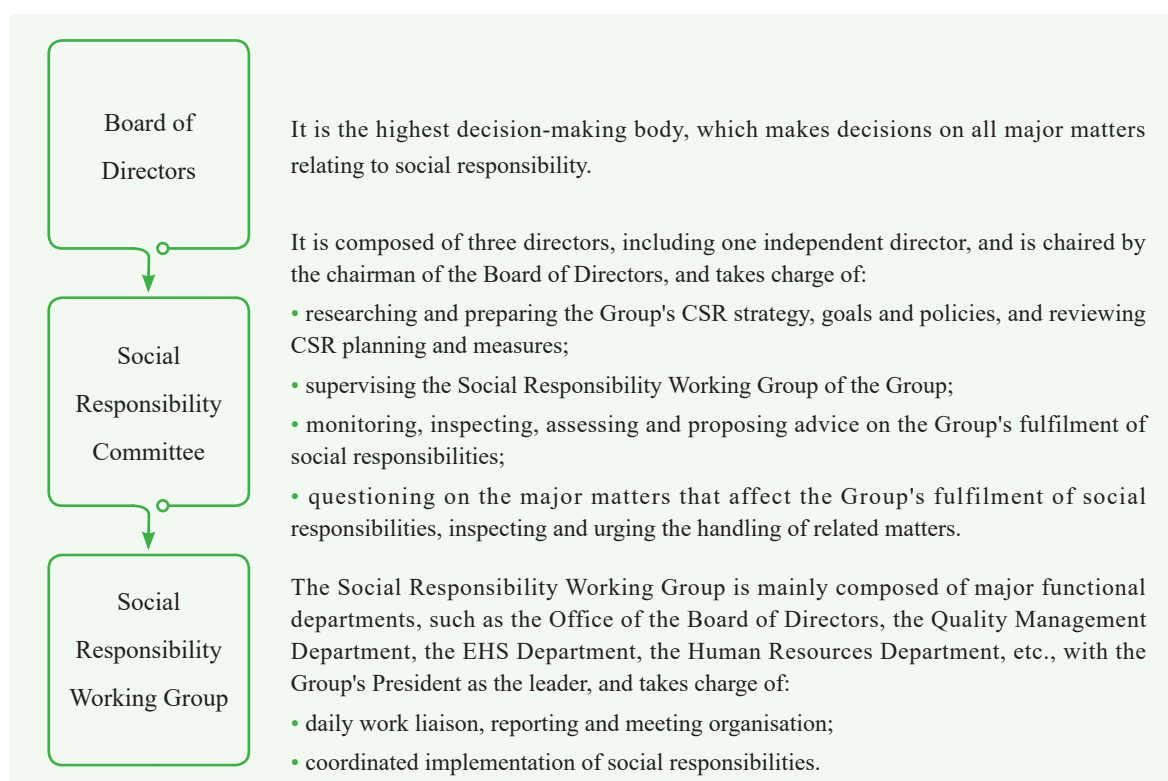
4.1 CSR Strategy

Committed to promoting social development, Joincare puts great efforts into the healthcare industry with innovation to help build a Healthy China and create a green, bright and prosperous future with stakeholders. Focusing on “health”, the Group aligns its CSR strategy with its development strategy to guide its efforts to promote sustainable development. We are committed to providing the whole society with high-quality, safe, accessible and affordable medical products and services to better meet the clinical needs. In addition, we pay close attention to demands of internal and external stakeholders and constantly strengthen management of areas in relation to sustainable development. We continuously empower our employees' growth, actively undertake responsibility of environmental protection and dedicate to social welfare. These efforts are aimed to promote social harmony and development.

4.2 CSR Governance

Effective CSR governance system is a strong support for Joincare to implement CSR strategy and achieve CSR goals. The Group has established a CSR management structure that consists of the Board of Directors, the Corporate Social Responsibility Committee and the Corporate Social Responsibility Working Group. We have formulated and released the Corporate Social Responsibility Management Policy of Joincare, which clarifies the duties and work scope of the management at all levels and standardises the division of labour among functional departments. ESG indicators have been incorporated into the individual performance assessment of all members of our CSR working group since 2022.

Joincare CSR Management Structure and Responsibility



In addition, to improve the Group's CSR and ESG management, we pay close attention to ESG cutting-edge trend, actively understand the ESG hot topics and seize the opportunities in the capital market, and keep abreast of the latest regulatory developments relating to sustainable development. We organise training on CSR and ESG management every year. In 2023, we invited external experts to conduct special training on sustainable development. The training is aimed to strengthen management's awareness of sustainable development and help them to understand and learn about excellent management practice, thus improving our ESG management performance.

4.3 Communication on CSR

4.3.1 Communication with Stakeholders

Joincare values the opinions of stakeholders. By establishing a regular and diversified mechanism to communicate with stakeholders, we constantly strengthen our relation with stakeholders. We promptly understand and respond to stakeholders' demands through various convenient channels, aiming to achieve positive interaction with stakeholders and create long-term value for stakeholders.

Table: Communication requirements of and methods with stakeholders

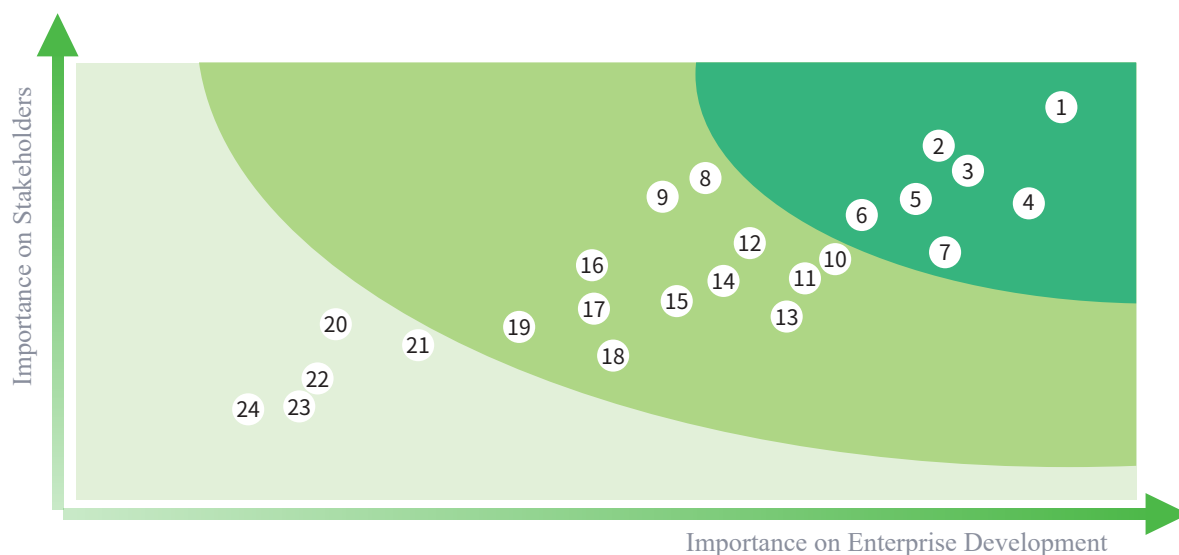
Stakeholders	Communication Requirements	Communication Methods
 Employees	Protecting employees' rights and interests Caring for employees and communicating with them to know their requirements Providing salaries and welfare benefits, as well as training for development	Workers' congresses and labour union Employees' satisfaction survey Occupational health and safety training Platforms for feedback Daily communication
 Investors	Conducting standardised governance and strict risk control Ensuring sound operation and value creation Providing open and transparent information disclosure	Shareholders' meeting Regular releases of business information and data Telephone, fax, email, and the general meeting Investor's survey, platforms for interactive communication and exchange, and external roadshows WeChat official account
 Consumers	Guaranteeing product safety and consumers' rights and interests Protecting privacy and observing business ethics	Product labelling and information disclosure Regular visits Consumers' satisfaction survey Handling of complaints and opinions
 Distributors, suppliers and partners	Guaranteeing honest business operation and pharmaceutical compliance Facilitating timely communication and win-win development	Regular communication Working meetings and exchanges via telephone and correspondence Company's website
 Government and regulators	Working in compliance with laws and ensuring drug safety Cooperating with the government's regulations and operating in light of regulations Paying taxes in accordance with laws and creating jobs	Government-enterprise symposiums Supervision and inspection Work reports and surveys On-site inspection
 Media	Promoting effective interaction and information disclosure	Company's website and WeChat official account Interactive communication platforms Special reports External roadshows
 Pharmaceutical industry associations/organisations	Promoting fair competition and experience sharing	Industry organisation meetings Experience sharing sessions Site visits
 Community/ The public	Charity Boosting community development and creating social value	Volunteering activities Money and medicine donation Medicine knowledge publicity

4.3.2 Decision of Material Issues

The Group continuously conducts stakeholder survey and incorporates annual materiality assessment into the risk management process. To fully understand the concerns and expectations of stakeholders, this year, we invited internal and external stakeholders to participate in questionnaire surveys. Through the surveys, we prioritised material issues based on our full identification and assessment of materiality, and responded to all issues in this report based on the assessment result.

We determine the materiality of issues by following four steps:

- 01 Identification of issues** Material issues for the current year are identified based on reporting standards, peer benchmarking, and industry sustainability trends and in the light of the Group's business development.
- 02 Research on issues** Stakeholders, such as senior management, suppliers, investors, consumers and government departments, are invited to participate in the survey in the form of questionnaire to understand their key concerns.
- 03 Prioritisation of issues** Based on the results of peer benchmarking and communication with stakeholders, the issues are prioritised from two dimensions of the materiality to external stakeholders and to Joicare.
- 04 Review of issues** According to the results of materiality assessment, a matrix of material issues for the year and the focus areas of the report are determined. The results of materiality assessment are submitted to management and disclosed in the report after review by management and approval by the Board of Directors.



Highly Material Issues

- 1 Product Quality and Safety
- 2 Emission Management
- 3 Occupational Health and Safety
- 4 Product R&D and Technological Innovation
- 5 Intellectual Property Rights Protection
- 6 Employee Remuneration and Benefits
- 7 Business Ethics and Anti-Corruption

Moderately Material Issues

- 8 Protection of Labour Rights and Interests
- 9 Talent Attraction, Retention and Development
- 10 Water Resources Management
- 11 Customer Privacy and Data Security
- 12 Risk Management
- 13 Sustainable Supply Chain Management
- 14 Corporate Governance and Compliance
- 15 Diversity, Equality and Inclusiveness
- 16 Responsible Marketing
- 17 Resource Consumption Management
- 18 Investor Relations Management
- 19 Industry Development and Cooperation
- 20 Access to Healthcare

Generally Material Issues

- 21 Energy Efficiency and Management
- 22 Biodiversity Conservation
- 23 Climate Change Mitigation and Adaptation
- 24 Charity

4.3.3 Support for United Nations Sustainable Development Goals

As a responsible corporate citizen, the Group strives to improve the CSR management system, and actively engages in a wide range of areas such as pharmaceutical innovation, access to healthcare, environmental protection and rural revitalisation, aiming to support the achievement of United Nations sustainable development goals (SDGs) with our actions.



SDG1: No Poverty

End poverty in all its forms everywhere.

Section

Public Welfare and Charity

Examples of Our Actions

- We carried on the long-term “Access to Public Welfare for Chronic Diseases Prevention and Treatment Programme” to donate drugs to patients with financial difficulties in remote areas who suffer from chronic diseases.
- We implemented the “Astragalus Root Industry Revitalisation” plan, supporting rural economic development through industry assistance.
- We donated a total of RMB 20 million in relief funds and medical supplies to the earthquake-stricken areas in Gansu Province.



SDG3: Good Health and Well-being

Ensure healthy lives and promote well-being for all at all ages.

Section

Access to Healthcare

Examples of Our Actions

- Joincare’s modified new drug 健可妥® was included in Class B of NRDL as China’s first inhaled antibiotics.
- The emergency use of the two COVID-19 vaccine 丽康® and 丽康民® has been approved.
- We built a popular science new media platform matrix called “Respiratory Experts’ Views” to promote knowledge on chronic respiratory disease and give treatment support for the public.
- We provided training for local healthcare workers in developing countries, contributing to improving the quality and capacity of health services.



SDG4: Quality Education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Section

Talent Management

Examples of Our Actions

- We cooperated with higher education institutions to deliver joint training programmes and provided students with traineeship positions.
- We tailored job-specific development training programmes according to the characteristics and business needs of different positions.
- We encourage continuing education and support employees to obtain academic degree or professional certifications.



SDG5: Gender Equality

Achieve gender equality and empower all women and girls.

Section

Talent Management

Examples of Our Actions

- We set a diversity target of “no less than 49% female employees by 2032”.
- We provided various of material benefits and special care for female employees, such as maternity leaves, breastfeeding leaves and customised physical examination services.



SDG6: Clean Water and sanitation

Ensure availability and sustainable management of water and sanitation for all.

Section

Operating with Green Sustainability

Examples of Our Actions

- By installing online wastewater monitoring equipment at the effluent outlets of major wastewater discharge plants and networking with regulatory authorities, we monitored and shared real-time discharge data of treated wastewater.
- Through improving wastewater treatment processes and upgrading wastewater treatment facilities, we decreased wastewater discharge, increased wastewater utilisation, and reduced the concentration of pollutants in wastewater.



SDG7: Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable and modern energy for all.

Section

Operating with Green Sustainability

Examples of Our Actions

- We took steady steps to develop the energy management system based on ISO 50001 standards.
- We took measures to improve energy use efficiency for energy conservation and emission reduction, increased the investment in green production projects and strived to build a low-carbon and energy-saving green production enterprise.



SDG8: Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Section

Talent Management
Public Welfare and Charity

Examples of Our Actions

- We have formulated the Code of Labor Employment and Ethical Conduct to specify provisions on protecting labour rights as the prohibition on forced and child labour, equal remuneration, etc.
- We strengthened education and training on protecting human rights, strictly reviewed the implementation of human right policies, and actively take improvement actions.
- We provided professional training for local managers through the “Astragalus Root Industry Revitalisation” plan.



SDG10: Reduced Inequalities

Reduce inequality within and among countries.

Section

Access to Healthcare

Talent Management

Examples of Our Actions

- We adopted inter-country and intra-country equitable pricing policies based on product affordability.
- We were deeply committed to the development of healthcare and actively involved in capacity advancement initiatives for healthcare in developing countries.
- We prohibited any forms of discrimination and prejudice, defined escalation process and disciplinary actions, and apply for social insurance subsidies for the employees with disabilities.



SDG12: Responsible Consumption and Production

Ensure sustainable consumption and production patterns.

Section

Safeguarding Product Quality

Operating with Green Sustainability

Examples of Our Actions

- We took product quality, safety, health, environmental protection and other elements into account to minimise the negative impact that our products may have on the environment and society in the whole product life cycle.
- We classified waste for treatment, and actively promoted waste reduction, recycling and harmless disposal by introducing advanced environmental protection technology into production, upgrading original production technology and formulations, and cooperating with third parties.



SDG13: Climate Action

Take urgent action to combat climate change and its impacts.

Section

Operating with Green Sustainability

Examples of Our Actions

- We developed the Climate Change Management System, set out the Group's procedures for identifying and assessing climate-related risks and opportunities, as well as the requirements for implementing and monitoring the response measures.
- We identified and assessed the climate-related risks and opportunities facing our business and determined response measures to improve the overall ability to manage climate risks.
- We set the carbon emission target from 2022 to 2025 and the target to achieving carbon peaking by 2028 and carbon neutrality by 2055.



SDG15: Life on Land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss.

Section

Operating with Green Sustainability

Examples of Our Actions

- We strictly comply with the laws and regulations related to biodiversity conservation.
- We identified environmental risk factors and hidden hazards before building factories, met the “ecological red lines” requirements and avoided operating in areas of high biodiversity value, such as those close to government-designated ecological reserves.



SDG16: Peace, Justice and Strong Institutions

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Section

Responsible Governance

Talent Management

Examples of Our Actions

- We issued Anti-Corruption and Anti-Commercial Bribery System and the Anti-Fraud System, strengthened audit and supervision, and conducted training on business ethical standards.
- We require management, employees, and partners to comply with business ethics and clearly implement the anti-corruption management responsibility.
- We have built a smooth and confidential grievance escalation and reporting procedures for employees to support them to timely complain or report the violation of labour rights and any dissatisfaction.



SDG17: Partnership for the Goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Section

Public Welfare and Charity

Examples of Our Actions

- Dr. Jin Fang, the chief scientist of the Group, attended a number of international conferences as a member of Medical and Chemicals Technical Options Committee (MCTOC), focusing on research and reporting related to MDI inhaler propellant substitution, thus contributing to the fulfilment of Montreal Protocol in the world.

4.4 Compliance Governance

Joincare stringently abides by the requirements of the Company Law of the People's Republic of China (PRC), the Securities Law of the People's Republic of PRC, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other relevant laws, regulations and regulatory documents. We keep improving the internal management system and strengthen information disclosure management and investor relations management. By doing so, we constantly improve our corporate governance.

4.4.1 Protection of Shareholders' Rights and Interests

Joincare standardises the procedure of convening general meetings and voting at the general meeting in accordance with the Articles of Association, the Rules of Procedure for General Meetings and other relevant regulations to ensure that each shareholder is treated equally. We make full use of information technologies such as online voting to ensure that all shareholders, especially our minority shareholders, can exercise their right to know and participate in decision-making in a more efficient and effective way.

Relying on its independent business and autonomous operation ability, Joincare always maintains independence. The Group and its controlling shareholder implement independent management and accounting in business, personnel, assets, institution and finance. The controlling shareholder of the Group exercises its rights and assumes its obligations in strict accordance with laws and regulations. It does not directly or indirectly interfere with the decision-making and business activities of the Group by bypassing the general meetings. Furthermore, we have established a long-term mechanism for preventing the controlling shareholder or the de facto controller and other related parties from occupying funds of the listed company and infringing upon the interests of the listed company and formulated the Policy for Preventing the Controlling Shareholder or the De Facto Controller and Other Related Parties from Occupying Company Funds. These efforts are made to ensure steady development. This year, no disputes arose from the appropriation of the Group's assets by the Group's controlling shareholder, or the de facto controller and other related parties and the detriment of the interests of the Group and the minority shareholders.

4.4.2 Performance of Duties of Directors and Supervisors

Committed to strengthening governance, Joincare keeps improving the management structure of the Board of Directors to build a more professional and diverse Board. We have formulated and disclosed the Board Diversity Policy to ensure that a series of criteria are taken into account when the Nomination Committee selects Board members. Selection criteria include those in relation to educational backgrounds, professional experience, expertise and tenure, and diversified factors such as gender, age, nationality, cultural backgrounds and ethnicity are also included. At the same time, we disclose measurable targets for the implementation of the diversity-related policies and relevant progress in the social responsibility report on an annual basis.



The number of members of the Board of Directors¹ is nine (four independent directors in total); there are three female directors, accounting for over 30% of the total. Members of the Board of Directors have backgrounds and expertise in the pharmaceuticals, corporate management, finance, accounting, law and production. Based on their extensive industry experience, they can provide strategically forward-looking opinions for the Group's governance and development. In addition, the Board of Directors has established the Audit Committee, the Remuneration Committee, the Strategy Committee, the Nomination Committee and the Corporate Social Responsibility Committee. It has given full play to the professional advantages of each committee to assist in legal, compliant, scientific and accurate decision-making and ensure the integrity and transparency of governance procedure. There are three supervisors in the Supervisory Committee of Joincare, including one employee representative. The Supervisory Committee performs its duties in accordance with the law, supervises the performance of duties of the Group's directors and senior management, regularly inspects the Group's financial position and performance, pays attention to the Group's major investment projects, and fully safeguards the interests of the Company and all shareholders.

The Company's directors, supervisors and senior management make full use of various channels to participate in various training on the standardized operation of listed companies (including but not limited to various specific training or forums, continuing professional development courses, internal training, reading regulatory newsletters or enforcement briefings on listing rules issued by the Stock Exchanges, China Securities Regulatory Commission, etc.), which contain the latest changes in industry policies, information on the regulation of listing and company's code of business ethics etc., to continuously improve their ability to perform their duties.

4.4.3 Disclosure Transparency

In strict accordance with relevant standards and guidelines of the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange (SSE), the Group has formulated the Management System for Information Disclosure Affairs, which clarifies requirements for the Group's information disclosure and requires active fulfilment of information disclosure obligations. To better meet the demands of investors, we make continuous innovations in the forms of information disclosure, enrich the content of disclosure and strengthen voluntary information disclosure. To safeguard the investors' right to know, we disclose our management through various channels such as the Group's official website, media reports and WeChat official account.

In 2023, we filed and disclosed 220 documents in compliance with the information disclosure principle of authenticity, accuracy, integrity, timeliness and transparency, with a total Chinese character count of 2.94 million, outperforming 95% of our A-share listed peers. Our information disclosure has been highly recognised by regulators and capital market. In 2023, Joincare was again rated "A" (Excellent) in the information disclosure assessment over listed companies organised by the Shanghai Stock Exchange. It's the third year in a sequence we got this rating. We also won the award of the "Excellent Practices of the Office of the Board of Directors" in the "Best Practices of the Office of the Board of Directors" selection held by the China Association for Public Companies (CAPCA), making us a winner of this award for two consecutive years.

¹Board members and the date of formal appointment: Zhu Baoguo: December 1992; Liu Guangxia: July 1995; Yu Xiong: August 2021; Qiu Qingfeng: August 2006; Lin Nanqi: December 2019; Huo Jing: May 2019; Qin Yezhi: May 2020; Peng Juan: August 2021; Yin Xiaoxing: September 2023.

4.4.4 Investor Relations

Focusing on investor relations management, Joincare has formulated and implemented the Regulations on Investor Relations Management while establishing a sound communication mechanism to facilitate engagement with investors through various channels. The Board of Directors designates special department and employees to take charge of information disclosure and investor relations management, promptly respond to investors' inquiry, and earnestly listen to their suggestions and opinions. By doing so, we aim to achieve positive interaction with investors.

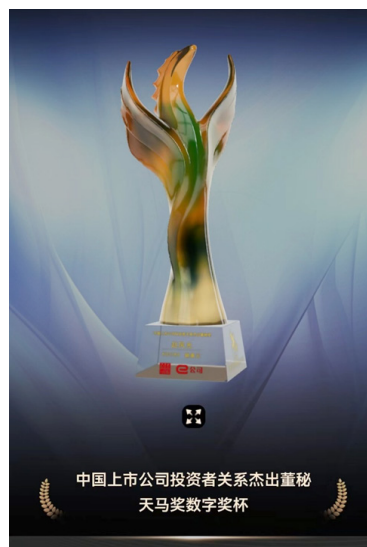
To enhance our connection with medium and small investors, the Office of the Board of Directors designates personnel to provide Q&A for investors via SSE e-interactive platform, answer their phone calls and reply to their emails. In 2023, we provided 95 Q&A for investors via SSE e-interactive platform and answered 345 phone calls from them and published 16 articles on our WeChat official account. The concerns addressed include corporate performance, business conditions, IR events, and investment progress.

This year, to further strengthen our relations with institutional investors, we held three online performance briefings and one activity "Visiting Listed Companies". Furthermore, we actively participated in the 2023 Listed Company Investors' Online Collective Reception Day event in Shenzhen, where we answered investors' questions on the operation of the Company and other aspects in detail. We also maintain regular communication with over 20 institutional investors, presenting to them our business conditions and investment value. In terms of international investor relations management, we keep expanding the channel of communication with international investors by launching the Global Depository Receipt (GDR) in Switzerland. In November 2023, we participated in the 22nd Asia Pacific Summit held by Morgan Stanley. At the Summit, we introduced our overseas expansion plan to over 10 top family offices in Singapore, aiming to seek cooperation. In addition, we participated in overseas roadshows in the United Arab Emirates, Switzerland, and other countries. Through these activities, we showed overseas investors information about our business model, financial position, development strategy, etc., which enabled overseas investors to have a deeper understanding of our strength and potential, effectively enhanced our reputation and influence, and better publicised our value. Also, we received positive responses from broad mass of investors.

Thanks to our unremitting efforts and progress in corporate governance, information disclosure, investor relations management, market value management, promotion and management of public opinion, Joincare has gained wide recognition from the capital market and all sectors of society. In 2023, we were invited to the Crystal Ball Award and won the title of "Most Promising Listed Company". Also, we won "Best ESG Information Disclosure" award from New Fortune and other awards. In addition, the Board Secretary won honours such as the "Golden Board Secretary" (19th session) award from New Fortune, the "Tianma Award - Outstanding Board Secretary for Investor Relations" award, and the 5A rating in "2023 Performance Appraisal on Board Secretaries of Listed Companies" held by China Association for Public Companies (CAPCA).



2023 Most Promising Listed Company



2023 Outstanding Board Secretary for Investor Relations award

4.5 Risk Management

4.5.1 Comprehensive risk management

The Group has established a well-developed risk management system by formulating and implementing the Comprehensive Risk Management System and building a risk management organisational structure to regulate risk assessment and management process. We also set overall risk management goals to improve overall risk prevention and control. The Board of Directors, as the highest decision-making body in comprehensive risk management, takes charge of supervising risk management practices. The Audit Committee takes charge of reviewing the effectiveness of overall risk identification, assessment, internal management and monitoring procedures. Management, as the execution body, takes charge of the effectiveness of comprehensive risk management to the Board of Directors. All functional departments play their roles in supporting the implementation of risk management procedure. The Supervision and Audit Department, as the leading management department of comprehensive risk management, takes charge of conducting risk management under the guidance of the Audit Committee.

We continuously collect information, identify internal and external risks, formulate comprehensive risk management strategies and implement actions to address risks. Furthermore, we monitor risks and give relevant early warning. We conduct periodic risk reporting, monitor and evaluate the implementation and effect of risk management, and rectify issues identified. We review risk exposure encountered by the Company on an annual basis. Against financial and non-financial risks in main business and other high-risk areas, we assess the internal controls and engage independent third-party agencies to conduct external risk audit. We also conduct impairment testing of goodwill using sensitivity analysis. Through effective risk management processes, we aim to minimise the impact of adverse factors and safeguard the steady and quality development of the Group.



4.5.2 Emerging Risks

The Group has identified and assessed emerging social and environmental risks that might influence the long-term development of the Group, and implemented effective responses in operation to prevent or mitigate such risks.



Changes in industry policies

Risk and impact description

Pharmaceutical industry is susceptible to changes in industry policies. With the continued deepening of healthcare reform and the advancing of the industry's supply-side structural reform, a number of industry policies, such as the revisions to the Drug Administration Law, the acceleration of Generic Drug Consistency Evaluation, the adjustments to the list of medicines covered by the medical-insurance system, and the expansion of volume-based procurement, have been rolled out successively. This creates enormous challenges to the pharmaceutical industry for its future development. In 2023, one major products of Joincare won the bid for the ninth rounds of centralised procurement. This will exert significant influence on the sales price and market shares in the future.

Mitigating actions

We closely monitor the industry developments and reforms, and address significant changes in pharmaceutical industry policies through early investment, early transformation and early compliance. To continuously improve our core competitiveness, we intensify efforts in R&D and innovation of new products, thereby achieving R&D-driven development. In addition, the Group actively seeks for contracts under and participates in the negotiations relating to the NRDL. Continuous efforts are made to expand hospital coverage and product sales. In this way, we achieve “selling more at lower prices”, diminishing the influence of price adjustment for medical insurance payment on the steady growth of the Company's performance.



Application of Artificial Intelligence

Risk and impact description

AI technology plays a vital role in promoting the development of medical and health services. However, AI is facing various challenges and uncertainties as its application in healthcare industry is still in its early stages. In recent years, Joincare has taken the lead in investing in AI drug R&D. We have been working with Tencent Quantum Lab on the research of genome, gene cluster and functional element sequence predication and metabolic pathway optimisation through AI technology. As AI relies much on extensive and accurate data inputs, low-quality data or non-representative data applied may result in discrepancies in research results, or even bad, harmful or discriminatory results.

Mitigating actions

With the rapid development of AI technology, the global data integration and management mechanism is expected to be further improved in the future while data barriers between medical institutions, government departments and social third-party agencies are broken down. This will enable us to significantly improve efficiency of data production, acquisition and archiving. We will also keep abreast of the regulatory developments relating to AI application in the field of healthcare. Sustained efforts are made to optimise our data management and strengthen risk prevention and control in the process of “quantum computation + AI” application.

4.6 Carrying Forward the Party-Masses Spirit

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the general Party branch of Joincare acknowledges and implements the general requirements for Party building in the new era. Focusing on the central tasks and serving the overall interests, we create 7 “Party building+” brands, with a view to highlighting the role of “Party building engine” in all aspects. We stringently enforce the “first topic” principle (starting every important Party member meeting with the learning of the Party or President's instructions), and continuously practise the policy of “holding Party branch general meetings, meetings of Party branch committees, Party group meetings, and Party lectures”. Also, we are strengthening the engagement between the Party and the people, and actively promoting the coverage of Party organisations and Party work at the primary level. We comprehensively implement the development concepts of innovation, coordination, green, openness and sharing, to help invigorate the market competitiveness of enterprises.

We keep improving Party building work and fully enhance the cohesion of corporate Party branches at all levels. In 2023, we led the establishment of the “Office of Secretary” in Shenzhen Nanshan District for the biopharmaceutical industry chain. This will give full play to Party building organisation and leadership across the industry chain, promote the coordinated development of “government, hospitals, enterprises, research institutions, universities, users” in the biopharmaceutical industry and strengthen the demonstration effect.

Case

“Walking Party Lecture” introduced to Joincare

In 2023, the 22nd “Walking Party Lecture” organised by Shenzhen High-tech Zone Party Committee brought lecturers to the Joincare Office of Secretary for the biopharmaceutical industry chain. They visited and understood on site the excellent practice of Joincare in Party building, corporate operation and management, product R&D and innovation. During the visit, NPC Deputy Jin Fang gave a Party lecture to representatives of the High-tech Zone Party Committee. In the lecture, the Deputy shared the Spirit of Two Sessions and Cutting-edge Developments in the Biopharmaceutical Industry, and brought us details of the grand “two sessions”, including the core messages in General Secretary Xi Jinping’s speech and two sessions’ spirit. She also exchanged her feelings and experience from the “two sessions” with the representatives of the High-tech Zone Party Committee.



“Walking Party Lecture” introduced to Joincare

Joincare organised Party member activities

In 2023, we carried out a Party's Day activity: organising Party members to visit Shenzhen Nantou Ancient Town, with a view to searching for red memory and looking back into the history of reform and opening up in Shenzhen, thereby fostering our resolution to forge ahead toward a brighter future. In addition, we held a series of “Red Tour” activities and organised Party members and cadres to visit Shenzhen Nanshan District Party Building Park, where we relived the glory days of the Party and searched for red memory, enabling us to forge ahead with firm belief.



Joincare's Party member activities

4.7 Integrity and Business Ethics

Joincare strictly abides by the Law of the PRC Against Unfair Competition, the Interim Provisions on Prohibition of Commercial Bribery, the Criminal Law of the PRC and other relevant laws and regulations. We always stick to the concept of integrity and self-discipline in our operation of businesses. The Audit Committee of the Board of Directors plans and oversees the work related to business ethics and anti-corruption, and the Supervision and Audit Department is responsible for the implementation to ensure legal and compliant operation. We keep improving the integrity management system by strengthening audit and supervision over internal management and promoting integrity culture to raise integrity awareness within the Group. In 2023, there were no violation cases of corruption, bribery, fraud, money laundering and conflict of interest in Joincare.

4.7.1 Enhancing Anti-corruption Mechanism

The Group is well aware of the importance of integrity management, so we manage business ethics and anti-corruption issues at the level of the Board of Directors. The Company has deliberated and approved the Anti-Corruption and Anti-Commercial Bribery System and the Anti-Fraud System at the 22nd session of the 8th Board of Directors' Meeting and has public disclosed the two systems. The policies define ethical standards to regulate the conduct of employees and partners, thereby promoting the sound development of the Group. In addition, specific requirements have been set up for certain high-risk business segments, including the Financial Management System, the Outbound Investment Management System, to ensure legal and compliant operations. The systems mentioned above are applicable to all the employees of Joincare (including but not limited to full-time and part-time employees, interns, contractors and etc).

We require employees, management and partners to comply with business ethics and clearly implement the anti-corruption management responsibility. To prevent corruption risk, all employees receive training on the code of conduct in relation to anti-corruption and anti-commercial bribery at the onboarding stage and sign the Commitment Letter of Anti-commercial Bribery to clarify respective integrity responsibility and forbid violations. The management shall sign the Oath of Integrity for Senior Executives of the Company to ensure that they perform their duties with integrity and self-discipline. At the same time, we strictly regulate the process in business cooperation by developing the Management Measures for Material Procurement of Joincare, the Implementation Rules for Procurement Bid Evaluation of Joincare and other regulations to ensure that the procurement process is fair and just. We have formulated the Implementation Rules for Bidding Management over Construction and Engineering Projects of Joincare for the procurement of projects related to engineering and equipment, raw materials and excipients to further strengthen control on bidding process. When signing a contract with the Group, all suppliers shall sign the Anti-Commercial Bribery Agreement as an appendix to commit anti-corruption and anti-commercial bribery and promise not to violate business ethics during the performance of the contract.

4.7.2 Internal Audit and Supervision

Joincare complies with the applicable laws and regulations, such as the Provisions of the National Audit Office on Internal Audit and the Guiding Opinions of the General Office of the State Council on Reforming and Perfecting the Comprehensive Supervision System for the Medical and Health Industry, and formulates the Rules for Implementation of the Audit Committee, the Internal Control System, to regulate internal control work of the Group. We continuously carry out the audit of business ethics standards and anti-corruption policies on all operations of the Group. We set up the Supervision and Audit Department, which is independent of our business operations, to formulate the annual work scheme for audit and supervision and carry out audit as scheduled. The employees of the Supervision and Audit Department are full-time employees who are not directly involved in our production and operational activities. The audit results are reported directly to the Audit Committee of the Board of Directors. Through maintaining independence at the organisational, operational and individual levels, we ensure that the audit results are independent, fair, objective and accurate. Moreover, the Group's Supervision and Audit Department is responsible for reviewing and supervising the implementation of policies such as the Anti-Corruption and Anti-Commercial Bribery System and the Anti-Fraud System, and assessing the effectiveness of business ethics management measures. In addition, we, on an annual basis, conduct audit on all subsidiaries, with the Annual Risk Management and Internal Control Report issued, and develop special audit plans. For issues identified in the audit, we promptly propose rectification advice, require the audited company to complete the rectification within 120 days and verify the rectification results.

In 2023, the Audit and Supervision Department conducted audit on all subsidiaries as planned. The scope of the audits covered all businesses of the Group, including the management and implementation of internal controls over subsidiaries' business activities, particularly the management of engineering, financial and expense, human capital, procurement, inventory, quality, EHS, contract and other aspects. No major defects were found in 2023.

4.7.3 Whistleblower Protection

Joincare keeps improving the reporting management system and whistleblower protection mechanism. We have formulated and publicised the Measures for the Management of Reporting and Complaining, which standardise the reporting process and clarify that all the employees, customers and suppliers of the Group have the right to report corruption, bribery, fraud and other misconducts, thus fully protecting the reporting rights of employees and partners. Also, the Company has convened a meeting of the Audit Committee of the Board of Directors on 2 April 2024 to deliberate the Joincare Pharmaceutical Industry Group Co., Ltd. Complaining, Reporting and Whistleblower Protection Policy, which was disclosed on the official website at the same time.

We have set up various reporting channels available on the Group's official website, including letter, telephone, email, etc. for choice. The Group's Supervision and Audit Department and Anti-fraud Office are responsible for the acceptance of reports, timely investigation and handling, and case summarising and reporting. The case shall be completed within 30 days from the date of acceptance, and the result shall be notified to the whistleblower.

In addition, we strictly keep confidential the information on whistleblowers and the content of reports and complaints according to the requirements of the relevant policies. We classify the materials and records of reports as private and confidential, and keep them under the custody of designated personnel, thereby protecting whistleblowers from the disclosure of reports and fully safeguarding reporters' legitimate rights and interests. Employees who violate confidentiality provisions, disclose whistleblowers' information or retaliate whistleblowers will be held legally liable upon verification.

Joincare's Reporting and Complaint Channels



Tel: 0755-86252316 0755-26980226



Internal email: SAMD@joincare.com

External email: joincaresamd@163.com



Address: Joincare Pharmaceutical Group Building No. 17-2 Langshan Road

Nanshan District, Shenzhen

4.7.4 Fostering Integrity Culture

The Group adheres to the philosophy of legal, transparent and honest operation. Integrating integrity culture development into operation risk prevention, we continuously stress the significance of abiding by disciplines and laws and developing a sense of integrity through integrity culture promotion and training for all employees. These efforts help foster a corporate culture of fairness and integrity.

We set out the requirements for business ethics in the Employee Manual to regulate the behaviour of all employees. We promote the culture of business ethics in the induction training of all new employees to raise their integrity awareness. In 2023, we provided all employees (including full-time, part-time and contractors) with online training on ethical standards, including requirements of the Anti-Corruption and Anti-Commercial Bribery System and the Anti-Fraud System, and requirements for integrity. This aims to raise employees' awareness of anti-corruption, anti-commercial bribery and anti-fraud to ensure the implementation of business ethics policies in the Group. Meanwhile, all directors, supervisors, and senior management of the Group have participated in several trainings on the standardised operation of listed companies, including topics of compliance management, anti-commercial bribery, anti-monopoly, and risk management.

4.8 Information Security

Joincare continuously promotes the application of information technology. Our daily business process and operation management are empowered by using information technology. We have been using various information systems to support our daily operation, such as the Customer Relationship Management (CRM) system and the System Applications and Products (SAP) system. This year, we introduced the office system Feishu to further improve the daily work efficiency of the Group.

We stringently safeguard the steady operation of information systems to ensure information security of the Group and customer privacy. We have formulated a range of information security management policies that are implemented across the Group, such as the Management System for the Security of Computer Information System, the Management Requirements for IDC Data Centre Operation and Maintenance, the Backup System and the Process of Reporting Suspicious Affairs of Information Security, to standardise information security management systems and processes. Additionally, we have established an information security management organisational structure in the Group. Under the structure, the Vice President serves as the chief leader of information security management. To ensure adequate response to any sudden disaster events, we keep improving the Emergency Plan for Network Server Systems and the Disaster Recovery Plan for Information Systems, which clarify the response mechanism and processing procedures and measures in case of emergency. In addition, we conduct relevant emergency drills on a regular basis to verify the feasibility and integrity of emergency plans. These efforts are aimed to ensure our information security and business continuity. In 2023, we carried out all-in-one backup appliance test and data backup drill to verify the effectiveness of relevant emergency plans.

In daily operations and management, we actively protect the end computers against viruses by deploying the Endpoint Detection and Response (EDR) system. The next-generation firewall is deployed to conduct network penetration testing and in-depth inspection of system security and carry out security assessment and vulnerability scanning. A security mechanism of the Intrusion Prevention System (IPS) is also in place, which uses a variety of defensive techniques to stop intrusion when identifying security threats in real-time, with intrusion detection as the core. In addition, we perform a regular data backup and regularly inspect hardware equipment to ensure data security.

We keep improving information security management capability. Specifically, the Group engages independent third-party agencies to annually audit information systems and information security policies and identify relevant risks. Furthermore, we make improvements based on the audit results to constantly perfect our information security risk management system. Over the past three years, the Group has not experienced any information security incidents.

In addition, we pay a high emphasis on information security training. All our employees are required to participate in the training on information security and privacy protection. The training is carried out online, covering topics such as the definition of information security risks, introduction to preventive measures, identification and treatment of phishing email and privacy information protection, aiming to strengthen all employees' awareness of information security and capability of risk prevention. By the end of the reporting period, all employees of the Group have completed training sessions on data security and privacy protection.



05

Safeguarding Product Quality

SDGs in this section



Product quality is a cornerstone for the long-term sustainable development of Joincare. We constantly improve the product lifecycle quality management systems, strengthen our supply chain quality management capabilities, and implement the concept of responsible marketing, to provide customers with reliable and high-quality pharmaceutical products, thereby safeguarding public health.

To continuously improve the quality management system and operation mechanism to enhance the quality control performance, we have set the overall quality goals, and consistently to monitor the progress towards these goals on an annual basis. The goals include:

Market sampling pass rate reaches

100%

Customer complaint rate is less than

1%

Customer satisfaction rate is greater than

90%

5.1 Quality Management System

Adhering to the basic principles of "risk management, whole-process control, and social co-governance", Joincare keeps upgrading and refining the lifecycle quality management system covering medicine R&D, production, sales and usage. The Group undertakes the responsibilities of marketing authorisation holders ("Holder" or "MAH") and continuously consolidates the group-wide product quality management foundation, to provide patients with safe and effective medicines.

In 2023, the Group and its subsidiaries reviewed and optimised the quality management system for R&D, production, sales and use. In this regard, a number of documents have been newly formulated, including the Drug Safety Signal Detection and Management Process, the Control and Management of Medical Device Quality Agreements, the Control and Management of Entrusted Production of Medical Devices, and the Collection and Management of Quality Tracking Information and User Feedback. These documents cover various businesses of the Group, such as chemical pharmaceuticals, TCM, biologics, chemical APIs and intermediates, diagnostic reagents and equipment, healthcare products and medical devices, to ensure the reliable quality of all our products. We also revised and refined the existing management documents. We made them easier to read and implement by simplifying the explanation of some operating procedures and adding flow charts to procedure descriptions.

We take proactive measures to meet regulatory requirements on product quality. We report the production and sales, post-marketing research, changes, risk management and other information of drugs to the medical products regulators every year in accordance with our annual reporting policy, to ensure that our quality system complies with laws and regulations. In the future, Joincare will continuously explore effective ways to manage quality while ensuring compliance with external regulations to provide patients with safe, reliable and quality products.

5.1.1 Quality Management System in R&D

The Group is making continuous efforts to build a robust R&D quality management system and consolidate its product R&D management capabilities. In line with the requirements of ISO 9001, ICHQ10 and the Good Manufacturing Practice ("GMP"), we keep optimising various processes of product R&D and daily records management. Each R&D unit is required to designate special R&D quality assurance ("QA") personnel to supervise the compliance from project initiations, R&D management, project operation, and technology transfer to routine inspection, thus improving the R&D quality management.

In 2023, we improved our R&D quality management system in accordance with domestic and overseas laws and regulations and based on our own R&D management characteristics. We have also formulated management documents such as the General Rules for Sample Testing and Data Processing and the Procedure for Electronic Data Management. Thanks to those efforts, our R&D processes such as file management, lab management, instrument and device management, materials and reagent management, as well as preparation research have been optimised. In addition, the Group continues to strengthen the ability in on-site supervision and management of R&D activities. The on-site inspections cover sample preparation, materials management, auxiliary books, procedure execution, etc. We conduct internal audits on the effectiveness of the R&D quality system, to identify deficiencies in the R&D quality management process and make targeted rectifications, and improve our R&D quality management capabilities. We also regularly review the original records, test reports, electronic forms, and other data. Any abnormal R&D data discovered is promptly investigated and corrected, and the requirements for risk and quality management and control of R&D processes are strictly implemented.

In terms of clinical trials, the Group has set up the Department of Clinical Research to strengthen quality management in stages of design, preparation, implementation, etc, in clinic trial. The goal is to ensure that investigational medicinal products (IMP), biological sample management, clinical operations, clinical quality control and other quality management related aspects are legal, compliant, safe and reliable.



Design

·The Department of Clinical Research participates in the discussion and review of key documents of the clinical trial project, to ensure that the trial is scientific, reasonable and feasible from the perspective of design.



Preparation

·The Department of Clinical Research develops the clinical monitoring plan, the project management plan and the quality control plan and makes the project audit plan at the group level. This is to ensure that the clinical monitoring team, project management team, quality control, team and group audit teams perform their quality management functions effectively and to safeguard the quality of clinical trials.



Implementation

·The Department of Clinical Research oversees the relevant quality management activities. It is responsible for ensuring that clinical trial data is truthful, accurate and reliable, and that the maintenance of clinical trial documents, trial procedures, IMPs, biological samples, and other trial information are all compliant with the relevant requirements of the quality management specification for the clinical trials of medical products and the quality management system.

5.1.2 Quality Management in Production

The Group strictly abides by national laws and regulations and has established the production quality management system of Joincare in accordance with the Drug Administration Law of the PRC, the Provisions for the Supervision and Administration of Drug Manufacturing, and the Good Manufacturing Practice. In 2023, we refined our production quality management system in accordance with the latest national regulations by adding the Procedure for Routine Supervision and Administration of Entrusted Drug Production, the Management Procedure for Entrusted Inspection, and the Duty Performance Management Procedure for Qualified Persons. Detailed rules on production quality management were improved, and the quality supervision and management of the production subsidiaries was strengthened. In terms of medical devices, we continue to optimise the quality management system, including lab management, electronic data management, inspection management, equipment and facility management and other test modules based on the original system, to enhance our ability to control the quality of these products. In addition, we constantly improve the production quality management system to meet international standards and urged subsidiaries to obtain international certifications to reinforce product quality management capabilities and deliver competitive pharmaceutical products to global markets.

Registration and Certification

By the end of the reporting period, the overall registration and certification of Joincare's APIs, formulations, and diagnostic reagents are shown as follows:

Table: Global certification of Joincare

Project		Joincare's International Certification by the End of the Reporting Period
International Certification	APIs	· 18 varieties obtained international certifications for on-site inspections. · 35 international certifications within the validity period were obtained (including 5 certifications for FDA on-site inspections and 14 CEP certifications).
	Formulations	· 7 varieties obtained international certifications. · 18 international certifications within the validity period were obtained.
	In Vitro Diagnostic Reagents	· 10 varieties obtained international certifications. · 5 international certifications within the validity period were obtained.

By the end of the reporting period, all the production lines and related products of the Group and its subsidiaries had complied with the GMP regulations. Joincare and its multiple production subsidiaries had passed the quality management system certification.

Table: GMP compliance of production lines of Joincare

Project		Joincare's GMP Certifications by the End of the Reporting Period
GMP Certification	APIs	79 production lines of 7 API producers complied with GMP regulations
	Preparations	63 production lines of 9 preparation producers complied with GMP regulations
	In Vitro Diagnostic Reagents	2 production lines of 1 in vitro diagnostic reagent producers complied with GMP regulations

Table: Certification of the quality management system of Joincare

Company Name	Certification
Joincare	GB/T19001-2016/ISO 9001:2015; ISO/IEC 17025:2017/CNAS-CL01
Taitai Pharmaceutical	GB/T19001-2016/ISO 9001:2015
Joincare Haibin	GB/T19001-2016/ISO 9001:2015
Jiaozuo Joincare	GB/T19001-2016/ISO 9001:2015
Fuzhou Fuxing	GB/T19001-2016/ISO 9001:2015
Ningxia Pharmaceutical	GB/T19001-2016/ISO 9001:2015; ISO 22000:2018
Livzon Diagnostics	GB/T42061-2022/ISO 13485:2016
Shanghai Frontier	GB/T19001-2016/ISO 9001:2015; ISO/IEC 17025:2017/CNAS-CL01
Guangzhou Joincare	GB/T19001-2016/ISO 9001:2015; ISO/IEC 17025:2017/CNAS-CL01

Product Testing Capacity

All our production subsidiaries have been equipped with labs for the testing of drugs. High-precision devices such as high-performance liquid chromatograph, gas chromatograph, particle size analyser, disintegration analysers and multi-functional automated microbiology analysers enable production subsidiaries to conduct many test projects independently. This can meet their needs for quick testing and the R&D and testing of innovative products, ensuring product quality in a comprehensive manner. Meanwhile, our Analysis and Testing Centre conducts in-house testing on innovative medicines and high-end complex preparations, as well as research and tests on the compatibility of packaging materials, ensuring that the products meet the quality management requirements. In 2023, the Analysis and Testing Centre of the Group and the testing centres of Shanghai Frontier and Guangzhou Joicare passed the lab certification of China National Accreditation Service for Conformity Assessment (CNAS). This means that the testing centres of the Group and its subsidiaries are fully capable of performing testing in accordance with ISO/IEC 17025.

In addition, we have been actively engaged in precautionary tests and the detailed investigation of possible impurities in product formulations and production processes. We identify potential product issue from the perspective of safety and quality and promptly optimise formulations, processes, packaging, storage and other production steps, so as to control potential product risks at their origin. Furthermore, we pay sustained attention to the latest requirements for product quality in the industry and stakeholders' expectations, and engage qualified third parties to perform quality tests when necessary.

Case

Simulated precautionary test under transport scenarios

Short-term deviations from the specified storage conditions during transport may affect product quality. To assess the potential impact of short-term deviations from the specified temperature on our products, we carry out repeated simulated precautionary tests on various types of product. In December 2023, we placed temperature probes in the vehicles destined for Shenyang to record the lowest and highest temperatures during transport. Considering the actual transportation conditions and the product quality, we designed worse testing conditions and longer storage periods. For example, Levosalbutamol Hydrochloride Nebuliser Solution should be protected from light, stored below 25°C, and should not be frozen. In the simulated test, we assessed the stability of the solution stored at temperatures ranging from -20°C to -10°C for 10 days and at 40°C for one month. Based on the changes in the test data, we predicted potential product quality risks and, accordingly, gave instructions to transport service providers. This ensures that product quality isn't compromised during transport and helps to control product quality and safety risks at the source.

Simulation validation of the aseptic API process and the aseptic preparation filling process of Haibin Pharma

Haibin Pharma set production standards for the aseptic API process and the aseptic preparation filling process in accordance with GMP requirements, and carried out simulated tests of the aseptic production line through medium filling against the standards. It aimed to further specify and update the standards for the qualified conditions of aseptic production and to provide technical support for quality control in the production stage and for testing in later stages. During the simulation, we tested the maximum number of people involved in the aseptic production, the maximum storage time for equipment and materials after sterilisation or disinfection, the maximum process retention time, and the maximum duration of open operation of sterile products. In this way, we successfully ensured the aseptic operation standards for product manufacturing.

Case



Jiaozuo Joincare improves its product quality testing ability

To meet national standards and customer needs, Jiaozuo Joincare focuses on building up its product testing capabilities. It has set quality standards and test operation specifications for all products and is equipped with high-precision equipment such as high-performance liquid chromatograph, gas chromatograph, particle size analyser, protein analyser, and specific surface area analyser. Currently, Jiaozuo Joincare is able to test the quality of 7-aminocephalosporanic acid (7-ACA), deacetyl-7-aminocephalosporanic acid (D-7ACA), demeclocycline hydrochloride (DH), and 4-Acetoxyazetidinone (4AA). Jiaozuo Joincare has developed specific test operation specifications and conducts test control, to address quality issues of particular concern to customers, such as residues of bacterial endotoxin, protein and α -aminoadipic acid in 7-ACA. This helps Jiaozuo Joincare fully improve its product testing capabilities. In 2023, Jiaozuo Joincare tested over 3,000 batches of 7-ACA, over 800 batches of D-7ACA, over 400 batches of DH, and over 700 batches of 4AA, as well as over 8,600 batches of raw materials used in the products.

Regulatory Inspections

Joincare cooperates with regulatory inspections and takes prompt action to correct any quality management issues identified, so as to further improve its quality management system and management performance. In 2023, we received 118 inspections from regulators, and the inspection results all met the requirements, without any significant or serious deficiencies identified.

5.1.3 Quality Management in Operation

In strict compliance with the Good Supply Practice (“GSP”), Joincare has newly formulated multiple management policies, including the Drug Traceability Management Policy, the Operating Procedures for the Use of Equipment and Facilities, and the Operating Procedures for the Verification of Equipment and Facilities. We have also updated the existing policies, so as to better control product quality in the procurement, storage, distribution and transport of drugs. We have built the drug product traceability system in accordance with the national regulatory requirements, refined and updated the Drug Traceability Management Policy, fulfilled the responsibilities for quality control throughout product lifecycle, and further clarified the responsibilities of our departments in product traceability. We have also developed the Management Procedures for Electronic Drug Traceability Codes, to ensure that all drugs can be traced on our “On-code” drug traceability information system. Through digital means, we ensure that “each drug has a code, and both the drug and its code can be traced” and present the traceability data of drugs throughout the process in real time.

In 2023, we made sustained efforts to optimise the drug traceability management process, to ensure that all documents related to drug storage and delivery were uploaded to the drug traceability information system. We tracked the documents of key drugs and urged level-1 distributors to promptly scan the traceability codes and upload the documents, so that the drug flow information could be entered into the system without delay.

Management of Package Inserts and Labels

The management of package inserts and labels are the focus of our product quality management. In accordance with related regulations and laws, the Group strictly controls the design, use and change of product package inserts and labels in accordance with the Marketed Chemicals and Biologics Clinical Changes Technical Guidelines, the Change Management Regulations and other internal management regulations.

In 2023, the Group continued to strengthen the internal risk management on package inserts and labels, and standardised the process for any change. We updated and optimised the Provisions for Medicine Insert Sheets and Labels. In the provisions, we summarised issues identified during the review and approval of changes to package inserts and detailed the management requirements for these changes, further improving the management of package inserts and labels. We demand that changes to package inserts and labels be initiated and designed by the holder. The design should be strictly reviewed and approved by the holder's sales, production, quality control and other related departments and changes to information on the safety and efficacy of medicines should ultimately be approved by the National Medical Products Administration, so as to maintain the rationality and accuracy of drug information to the greatest extent possible.

We classify changes according to their impact on and risk to drug safety, efficacy and clinical use. In the event of changes to drug safety information or pharmacovigilance plans, our Pharmacovigilance Department will strictly manage the changes in accordance with the Procedures for Changes to Information Related to Safety in Package Inserts. Relevant data about drug safety will be collected, reviewed and evaluated by the Pharmacovigilance Department, and then submitted to the Drug Safety Committee for review and confirmation, thus supporting patients' access to accurate, reliable and scientific drug information.

5.1.4 Pharmacovigilance

Joincare strictly follows the requirements of the Good Pharmacovigilance Practices ("GVP") and has further refined its documents on pharmacovigilance. With reference to the Guiding Principles for Pharmacovigilance Inspection, we have standardised the pharmacovigilance practices. By doing so, we ensure compliance with the requirements of GVP, and fulfil our responsibilities for pharmacovigilance. In 2023, we established the medical device vigilance system and added documents including the Procedures for Handling Individual Safety Reports in Medical Device Clinical Trials, the Procedures for Monitoring and Reporting Adverse Events in Medical Device Clinical Trials, and the Procedures for Handling Defects in Medical Device Clinical Trials. The system and documents, which cover the safety management of medical devices before and after they are placed on the market, help strengthen our ability to manage risks in the medical device business. In addition, the Group adopts a new digital drug safety management system. Its robust user management and permission control mechanism ensures the security of pharmacovigilance data. Its data statistics and analysis function provides a strong data support for pharmacovigilance and comprehensively improves the effectiveness and standardisation of the Group's pharmacovigilance practices.

Case



Meeting of the Drug Safety Committee

In 2023, the Drug Safety Committee convened two meetings. At the meetings, the potential safety issues in our existing products were analysed and summarised, the adverse event information collected was discussed, and it was proposed to strengthen our risk management ability for the key product Tobramycin, conduct continuous monitoring, and ramp up patient education. Meanwhile, we held the first meeting of the Leading Group of Medical Device Adverse Event Monitoring, introducing the working mechanism and responsibilities of the group. This meeting laid the foundation for the medical device vigilance work in the future.

To manage adverse drug reactions, in addition to timely collecting and processing the feedback of adverse events from the National Center for ADR Monitoring, China, the Group has added the QR code for information collection on the outer packaging and in the insert sheets of products to provide a convenient channel for customers' feedback, which covers 100% of all products held by the Group. In addition, we actively seek feedback on adverse reactions from users through our 400 hotline, official website pharmacovigilance email and extension, sales feedback and post-market research. We regularly collect information on adverse reactions to similar products through relevant professional websites or literature searches. By doing so, we ensure that adverse reactions are comprehensively collected through multiple channels and reported to regulatory authorities in accordance with laws and regulations. Besides, we categorise, analyse and monitor the collected adverse events, regularly assess the risks of product safety and implement control measures to ensure the safety of medication for the public.

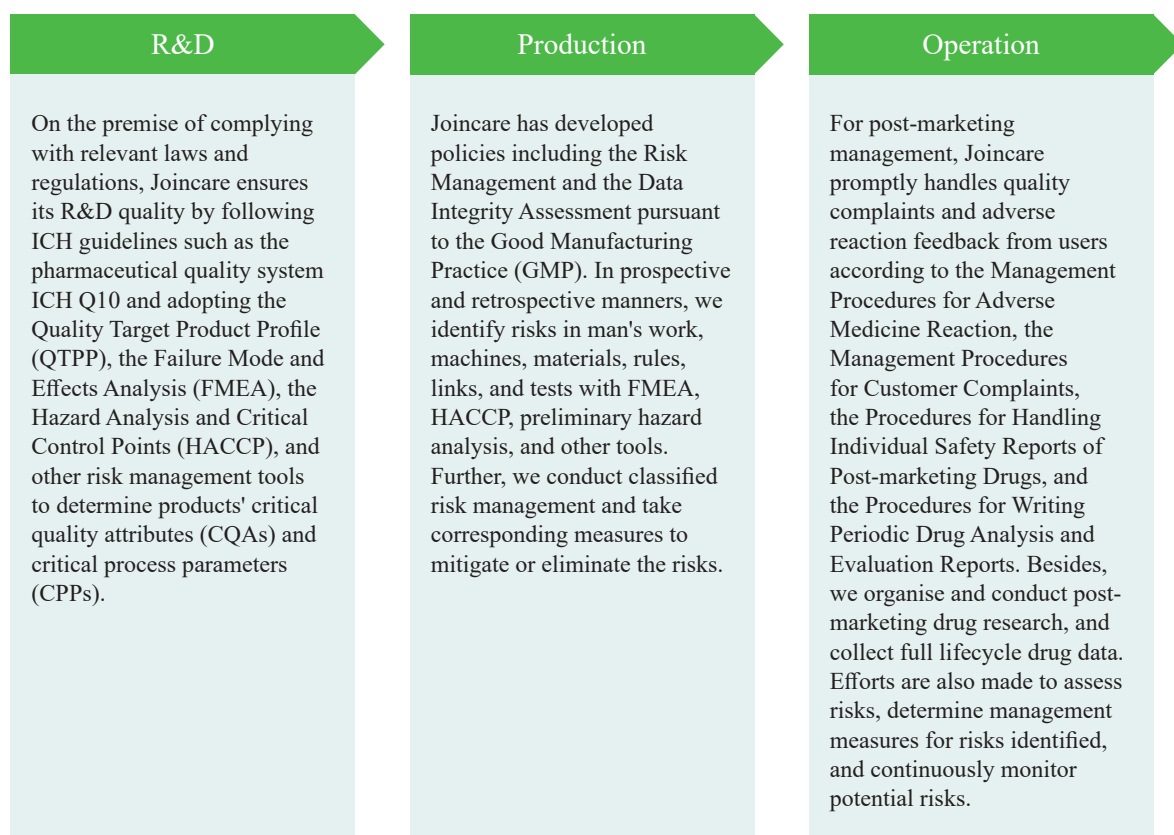
5.2 Quality Risk Control

To fully ensure product quality, Joincare has established and continues to refine the Regulations on Quality Risk Management and the Management Regulations on Risk Management Plan with reference to the requirements of relevant laws and regulations. The aim is to standardise the processes of identification, analysis, evaluation, control and review of quality risks, improve product design, and effectively manage and control product quality risks.

5.2.1 Quality Risk Management

The Group makes continuous efforts to enhance its risk management system covering R&D, production and operation, to manage quality risks throughout the product lifecycle, build up its quality risk management capabilities, and deliver high-quality products.

Quality Risk Management System of Joincare



Product Recall

We have developed and continuously updated the Drug Recall Management Procedures to guide the recall of products in case of quality issues or other safety hazards are identified. We classify drug recalls into Level-I, -II, and -III recalls according to the severity of safety hazards. We also have corresponding recall procedures in place to ensure patient safety in medication. Over the past four years, there were no recall incidents due to our sold or shipped products for safety or health reasons. The total number of product recalls was 0.

Product recall simulation is exercised every two years at Joincare to ensure the drug recall process is effective. We also implement a product risk management scheme to ensure that the risk management of post-marketing products is in line with related pharmacovigilance laws and that the products' quality always serves their intended purposes and satisfies the registration requirements.

Case



Product recall simulation

In January 2023, Joincare initiated a Level-I recall simulation for Budesonide Suspension for Inhalation and Ipratropium Bromide Solution for Inhalation. During the drill, our Quality Management Department tracked the key phases: The recall notice was sent to the production subsidiary and the functional department; the warehouse submitted the sales and delivery records of the recalled products; the production subsidiary reported the suspension of production and release; the recalled products were stored in isolation; and the marketing department reported the suspension of sales and use. All the simulated recall procedures were completed within the specified time, demonstrating the traceability of our products and the effectiveness of our recall system.

In addition, to strengthen our ability to respond to drug safety emergencies, the Group carried out a drug safety emergency drill in August 2023 to simulate real-life scenarios of major drug safety incidents (level II). In the drill, we took response measures following the emergency plan and reviewed the handling process after the drill, to improve our ability to ensure drug safety and handle drug safety incidents, and to best prevent and limit drug safety incidents.

5.2.2 Quality Audit

In order to continuously improve the quality management system, the Group has made periodic quality audit plans covering all the producers, operators, and R&D institutions. Special audits are conducted following major changes such as the enactment of law laws and regulations, management demands and external regulatory changes. We perform quality audits at least twice a year on our production subsidiaries with reference to GMP regulations and the On-site Audit Management Procedures. These subsidiaries also conduct self-audits and inspections to identify risks and deficiencies in the daily operation of the quality management system, and make analysis and rectification accordingly to improve their quality management capabilities.

In 2023, the Group and its subsidiaries organised an audit team to conduct 10 quality audits on the production system, packaging system, material system, equipment and facility system, quality assurance system, quality control system, environmental protection and occupational health and safety of the subsidiaries and entrusted production enterprises. We also urged them to rectify the deficiencies identified in the audits. Meanwhile, Joincare and each of its subsidiaries actively cooperated with the quality audits by domestic and overseas regulators and customers, and analysed and promptly rectified the deficiencies identified by external experts to enhance quality management continuously.

5.2.3 Responsible Product Design

To better implement the concept of social responsibility, Joincare takes product quality, safety, health, environmental protection and other elements involved in the product lifecycle into account when developing new products. On the premise of meeting customer needs and providing premium products, we make every effort to minimise the negative impact that our products may have on the environment and society in the whole product life cycle, including R&D, production, transportation, sale, use and disposal.

● Development and design

We analyse and identify potential social and environmental risks that may arise throughout the lifecycle of our products and seek to manage them at the source where possible. For example, we have recognised that choosing the wrong raw materials or ingredients for product development may cause serious damage to the environment. With this in mind, we have stepped up our efforts to monitor and study environmental impact factors of raw materials. We have set up a department to assess the potential environmental impact and other negative impacts of the raw materials used in our products, and to promote the use of non-hazardous materials or minimise the use of hazardous materials.

● Manufacturing

We have developed management policies such as the Control and Management of Environmental Factor Identification and Evaluation. In accordance with these policies, we monitor energy and water consumption, emissions, waste discharge and other environmental impacts during product manufacture. We assess the materiality of environmental factors in terms of producing frequency, toxicity, degree of mitigation, control measures and impact on stakeholders, and adjust product design or take relevant control measures based on the assessment results, so as to reduce the negative impact of our products on the environment during their manufacture.

● Transport and distribution

Focusing on the harm that hazardous chemicals may cause to human health and the environment, we sort out, identify and classify all chemicals involved in the transport and distribution of our products to reduce the use of hazardous chemicals wherever possible. We also implement strict rules for the storage, transport and use of necessary chemicals to minimise the harm caused by hazardous chemicals during their lifecycle.

● Product use

We analyse the environmental and social impacts of products during their use following the principle of product lifecycle management, to ensure that product design and materials selection do not violate environmental and social laws and regulations.

● Recycling and disposal

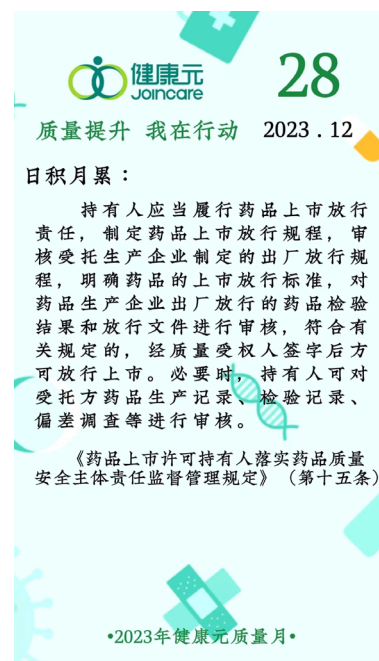
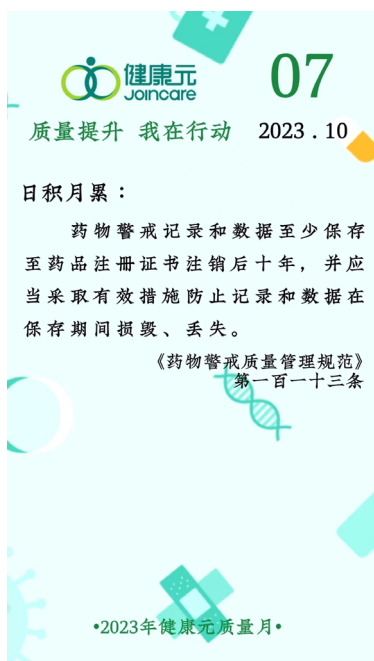
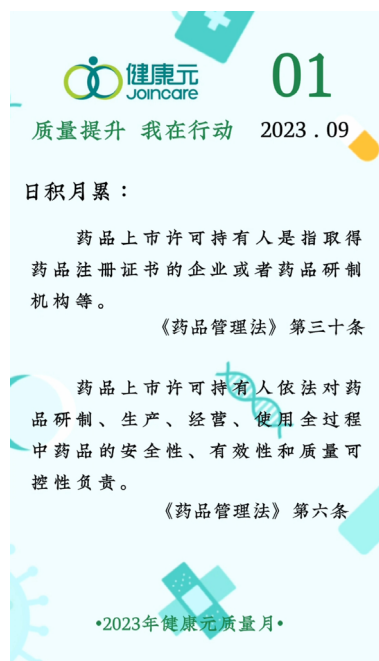
We identify the elements of our products that may have negative impacts on the environment during product recycling, disposal and degradation following the Control and Management of Environmental Factor Identification and Evaluation. On this basis, we seek to reduce the use of such elements in product design and develop standardised processing procedures for irreplaceable elements, to guide relevant parties on how to process them properly and minimise negative environmental impacts.

5.3 Quality Training for Employees

Joincare is active in raising employees' quality awareness through training and education programmes on product quality. We have established the training scheme to manage employee quality training in accordance with GMP, GSP, GVP, CNAS and other specifications. All employees are covered by our quality training, including the annual, monthly and weekly quality training and hands-on training. We improve employees' product quality management skills and instil the quality awareness in each employee by arranging short training sessions, fun sports meetings, online knowledge contests, operation skill competitions and the like. The aim is to foster a corporate culture of "quality first in pursuit of excellence". In 2023, Joincare conducted more than 660 training sessions on product quality and safety, with an employee coverage rate of 100% and 39.6 hours of training per person.

Joincare and its subsidiaries carry out “Quality Month” events for all employees on an annual basis. Every month, we provide professional and customised training courses for all personnel related to quality systems, covering quality control, as well as R&D, production, sales and pharmacovigilance management. In this way, we keep relevant personnel well informed of the changes in applicable laws and regulations and quality standards and improve their professional skills and competencies.

To enhance employee awareness of product quality, we share knowledge on quality law/regulation with employees every day, to help them gain legal knowledge about quality in their daily work.



Examples of Daily Posts of Knowledge on Quality Law/Regulation

In addition, following the principle of practicality and necessity, the Group issued the Joincare Compilation of Quality Laws and Regulations based on 20 common regulations and guidelines selected from MAH, GCP, GMP, GSP, GVP and other regulations. This compilation serves as a daily reference tool provided to all employees, supporting and encouraging them to consult it promptly.



Joincare Compilation of Quality Laws and Regulations

Case

The 2023 “Quality Month” of Joincare

In 2023, the Group carried out the annual "Quality Month" activity for all employees as usual, with the aim of reinforcing employees' awareness of “focusing on quality and compliance” and consolidating the foundation of quality culture. To this end, Yu Xiong, the Group's Board director and CEO, supervised and organised the headquarters and 7 subsidiaries, Taitai Pharmaceutical, Joincare Haibin, Haibin Pharma, Xinxiang Haibin, Jiaozuo Joincare, Shanghai Frontier, and Guangzhou Joincare, to jointly carry out “Quality Month” events, including quality knowledge training, quality knowledge contests, and fun activities. During the “Quality Month”, we organised 8 centralised training sessions on aseptic production, quality standards, product verification and validation, development site verification, ISO quality management system requirements, etc. The training was attended by all our employees. Through these events, we increased employees' sense of responsibility that quality management is essential in all business areas, throughout the process and at all times. This has helped to create a working atmosphere in which all employees are constantly involved in quality management.



“Quality Month” Events Series of Joincare in 2023

The “Everyone Participates in Quality Improvement” event of Jiaozuo Joincare during the “Quality Month”

To better foster a corporate culture of quality and enhance the quality management performance following the Group's strategy, Jiaozuo Joincare, led by its CEO Xing Zhiwei, launched the “Everyone Participates in Quality Improvement” event during the “Quality Month” in 2023. A series of activities such as the quality training, quality knowledge competition, fun quiz, operation skills competition and essay competition were held. We also focused on quality training for R&D staff. A total of 22 training sessions were delivered to improve their quality management skills.



The “Everyone Participates in Quality Improvement” Event of Jiaozuo Joincare during the “Quality Month” in 2023

Case

Joincare Haibin's first "Elite Training Camp for Aseptic Drug Production Quality Control".

Joincare Haibin focuses on reserving and training production quality management talents to meet the Group's talent needs in rapid development. In 2023, Joincare Haibin opened its first "Elite Training Camp for Aseptic Drug Production Quality Control". The training contains technical principle learning and hands-on training. The training content covered personnel management, equipment repair, cleaning and disinfection, collinear production, quality control, process simulation, and equipment verification. The training camp was launched to impart knowledge on aseptic drug production to the staff and improve their skills in managing the quality of aseptic drug production.



Joincare Haibin's First "Elite Training Camp for Aseptic Drug Production Quality Control"

5.4 Intellectual Property Rights Protection

The Group is committed to product diversification, multi-level innovation and development, and improving the management system for intellectual property protection. Joincare strictly abides by laws and regulations such as the Patent Law of the PRC, the Guidelines for Patent Examination, and the Measures for the Implementation of Early Resolution Mechanisms for Drug Patent Disputes (for Trial Implementation). Joincare has formulated internal management documents such as the Policy on Emergency Plan for Intellectual Property and the Policy on Intellectual Property Education and Training to clarify the Group's emergency plan for patent infringement and the department responsible for training method of intellectual property. All these efforts aim to improve the management and operation of intellectual property, raise employees' awareness of intellectual property protection, and fully respect others' research and innovation achievements, so as to build a business ecosystem featuring mutual benefit, mutual trust, innovation, and win-win results.

Joincare protects its intellectual property rights mainly by registering patents, trademarks and copyrights and technical secrets. Ongoing efforts are made to consolidate the intellectual property protection network for respiratory medicines and support the Group's strategic presence in the healthcare industry. As of the end of the reporting period, for well-known respiratory formulation products such as Tobramycin Inhalation Solution (健可妥®), Budesonide Suspension for Inhalation (雾舒®), Levosalbutamol Hydrochloride Nebuliser Solution (丽舒同®), Compound Ipratropium Bromide Solution for Inhalation (舒坦琳®), and Ipratropium Bromide Solution for Inhalation (丽雾安®), the Group has applied for 122 related patents, including 66 invention patents, 45 utility model patents, 9 appearance design patents and 2 PCT applications. Meanwhile, 88 patents were granted, including 40 invention patents, 39 utility model patents and 9 appearance design patents.

Table: Joincare's intellectual properties and patents by the end of the reporting period

Valid Patents Filed	
Number of valid patents filed	749
Number of invention patents	434
Number of International patents filed	138
Valid Patents Granted by the End of the Reporting Period	
Number of valid patents granted	1,008
Number of invention patents	521

Table: Joincare's registered trademarks by the end of the reporting period

Trademark Registration	
Number of registered trademarks	1,874
Number of domestic trademarks	1,645
Number of overseas trademarks	229

At the same time, we make training plans every year to train employees on intellectual property knowledge and skills at various levels and stages. This program aims to provide general knowledge and professional skills training related to intellectual property protection. Through methods such as case studies, interpretation of standards, and practical application exercises, we strengthen employees' awareness and professional capabilities in intellectual property protection.

Case



Training on patent term

In March 2023, the Group launched training on "Patent Term" for R&D staff to introduce Chinese and US patent term requirements and their differences. Given the needs of R&D staff at work, detailed information on "Patent Term Extension" and "Drug Patent Term Extension Policy", which were added in the fourth revision of the Patent Law of the PRC, was also shared to help them improve their knowledge of and skills in patent protection and practice the philosophy of intellectual property protection.

The Group continues to promote intellectual property protection and improve intellectual property protection mechanisms, thereby strongly supporting the application of our R&D achievements. In 2023, our scientific and effective intellectual property management system and policy passed the certification under the Enterprise Intellectual Property Management. They are a strong guarantee of our product innovation and R&D. We also passed the review of the National Intellectual Property Demonstration Enterprise in 2023, demonstrating that regulatory authorities recognise our work in intellectual property management. In the days ahead, we will continue to strengthen intellectual property protection with new technologies, play a demonstration role in intellectual property management, and implement the Group's strategy of innovation-driven sustainable development, to contribute to the building of a powerful country in intellectual property.



Certificate of Intellectual Property Management System

Moreover, Jincare tends to develop overseas markets with an open and inclusive attitude. In the future, when promoting our drugs and reagents on overseas markets, we will implement as far as possible the Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health. Where third parties invite us to provide our products for the least developed and low-income countries, we will license our product patents on appropriate terms and conditions.

5.5 Protection of Customer Rights and Interests

Jincare attaches great importance to protecting the rights and interests of customers. Adhering to the concept of responsible marketing, we deliver truthful and effective drug information to customers. We fully respect and understand users' needs to enhance customer satisfaction and improve the Group's service quality in multiple dimensions.

5.5.1 Responsible Marketing

Jincare strictly abides by the Advertising Law of the PRC, the Against Unfair Competition Law of the PC, the Personal Information Protection Law of the PRC, the Measures for Examination and Administration of Advertisements of Drugs, Medical Devices, Healthcare Products and Formula Foods for Special Medical Purposes, and the relevant laws and regulations of the places where the Group operates. We commit to provide accurate and truthful product information in the process of publicity and marketing. We have formulated and disclosed the Responsible Marketing Policy on our official website, to specify requirements for all employees (including full-time, part-time and temporary employees) of the Group and its subsidiaries when conducting marketing campaigns. These include requirements on compliance with industry laws and regulations and marketing, ads and sales rules applicable to us, accurate disclosure of information, protection of customer privacy, and fulfilment of environmental protection and social responsibility. Meanwhile, we have developed the Code of Conduct for Sales Personnel of Jincare and other internal policies to regulate the marketing behaviours of relevant personnel and ensure that all our publicity and marketing activities are in compliance with laws and regulations.

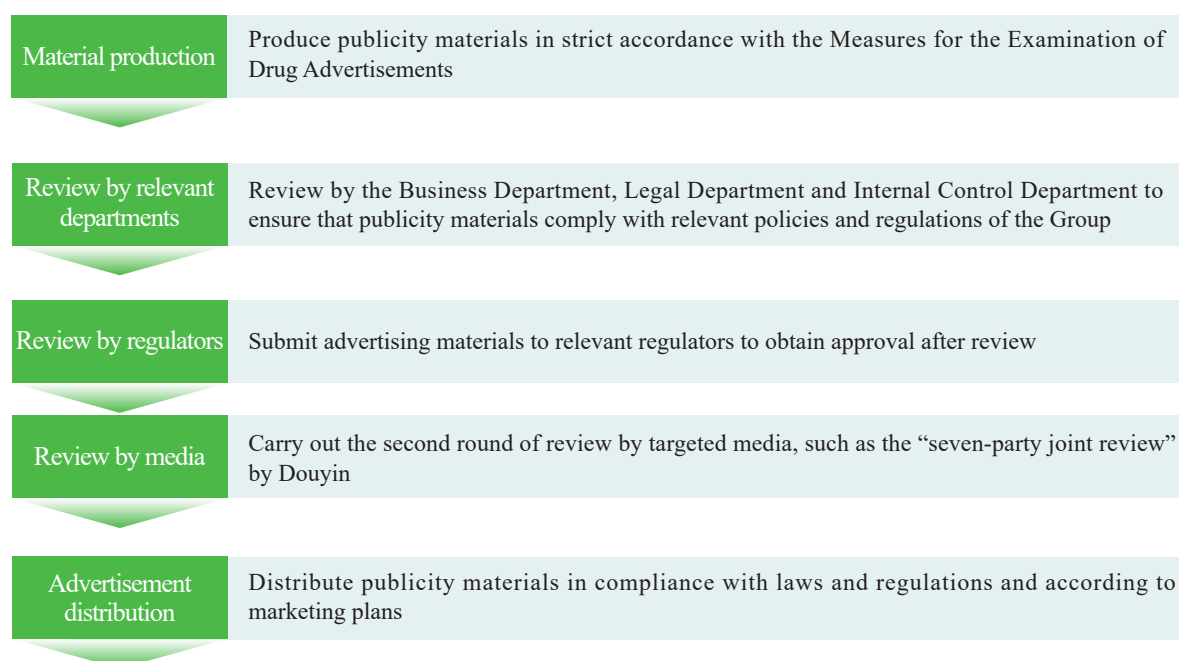
The Code of Conduct for Sales Personnel of Joincare is summarised as follows:

- Strictly abide by national laws and regulations;
- Strictly comply with the relevant provisions of the Good Supply Practice;
- Be honest and trustworthy in business activities, and uphold fairness in competition. In business activities, it is strictly prohibited to interfere with or affect the rational clinical use of drugs by exaggerating the efficacy of products, making false and misleading statements, concealing adverse drug reactions and other means;
- The interests of enterprises and others shall not be harmed in business activities; the Group's business secrets and customer privacy shall be protected;
- Illegal activities such as commercial bribery shall not be conducted for sales;
- Timely report adverse clinic reactions of drugs (if any) to the Group;
- Malicious transregional sales are not allowed to affect the order of the sales market.

Responsible Marketing Audit

Joincare continues to improve its responsible marketing audit system and standardise the management of marketing activities approval process. In the design, production and distribution of our product information and promotional plans, all marketing materials are subject to the approval by authorised management personnel. Besides, we provide professional and timely marketing compliance consulting channels for employees to ensure that promotional materials comply with laws and regulations. We also work with regulators and the media to review the compliance of all our marketing materials in the process of brand promotion and building, thereby effectively implementing responsible marketing.

Compliance Review Process for Joincare's Marketing Campaigns



We have set out the requirements for our responsible marketing audit in the Responsible Marketing Policy and established the review and monitoring mechanism for responsible marketing materials. We regularly review marketing activities and materials, including but not limited to marketing activity plans, promotional materials and sales documents, aiming to ensure that marketing activity is true, accurate and legal, free from false advertising and misleading information, and compliant with the requirements of the Group's Responsible Marketing Policy. In addition, our Supervision and Audit Department conducts regular internal audits on the implementation of the Responsible Marketing Policy to ensure that all marketing activities meet the requirements of the policy.

Case



Annual responsible marketing audit at Livzon Group

Livzon Group, Joincare's holding subsidiary, has established a rigorous mechanism for responsible marketing audit. Each year, it conducts at least one systematic responsible marketing audit on all business segments, including pharmaceutical products, APIs and intermediates, and diagnostic reagents and devices. In the audit, it checks whether its sales staff adhere to the Group's responsible marketing policies, marketing compliance, false advertising, honest dealings with customers and other matters. For audit findings, Livzon Group will promptly urge the relevant departments to take corrective action and will improve the relevant policies, to further consolidate its capabilities in responsible marketing management. Violations of the policies will be reported throughout the group and those responsible will be punished (such as the deduction of points in the annual performance review and cancellation of bonuses) according to the nature and severity of the violations.

Responsible Marketing Training

The Group provides regular responsible marketing training for all employees. To the marketing and compliance personnel, such training is delivered quarterly. Meanwhile, the marketing personnel will receive additional professional training on a regular basis, which covers marketing rules and policies, product knowledge, laws and regulations, compliance risks, sales techniques, etc. The training, which takes the form of field exercises, scenario simulations, case studies and interpretation of laws and regulations, helps to ensure that employees understand and comply with our marketing and advertising policies, avoid exaggerated, misleading or false advertising, and provide consumers with truthful and trustworthy product information. In 2023, all business divisions of Joincare actively carried out responsible marketing training, covering all the marketing personnel, with a total training time of 6,227 hours. Specifically, the Healthcare Product Division and the Prescription Medicine Division conducted 105 and 11 training sessions, respectively.



Joincare's Offline Responsible Marketing Training

5.5.2 Customer Satisfaction

The Group conducts quarterly surveys of online and offline customers regarding their satisfaction with the effectiveness of our products, the service provided by our customer service/in-store staff, product safety and packaging, and their willingness to recommend our products to others. The aim is to understand customers' attitudes to, views of, and suggestions for our products and services, so as to improve our product quality and service processes according to customer feedback. By fully meeting customer needs, we strive to improve our service quality and increase customer satisfaction. In 2023, Joincare's annual customer satisfaction rate reached 94%.

Customer Communication and Complaints

We focus on building a multi-channel platform for communicating and interacting with customers, to understand their opinions in time and meet their needs and expectations. Customers can make complaints on our official platform or by calling our hotline. Our after-sales personnel will handle customer complaints and provide customers with reasonable solutions after understanding their needs. We will also monitor the progress of the implementation of the solutions to ensure that customers' reasonable requirements are met. In addition, we regularly collect and summarise issues that customers frequently complain about, and organise operations, product, logistics and other departments to take targeted corrective action for better customer experience.

To improve the skills of customer service staff, we provide them with quarterly training on customer communication and complaint handling. In 2023, we ran a total of 18 customer service training sessions on themes including empathy, products, conversion rate and intelligent customer service assistance.

Customer Privacy Protection

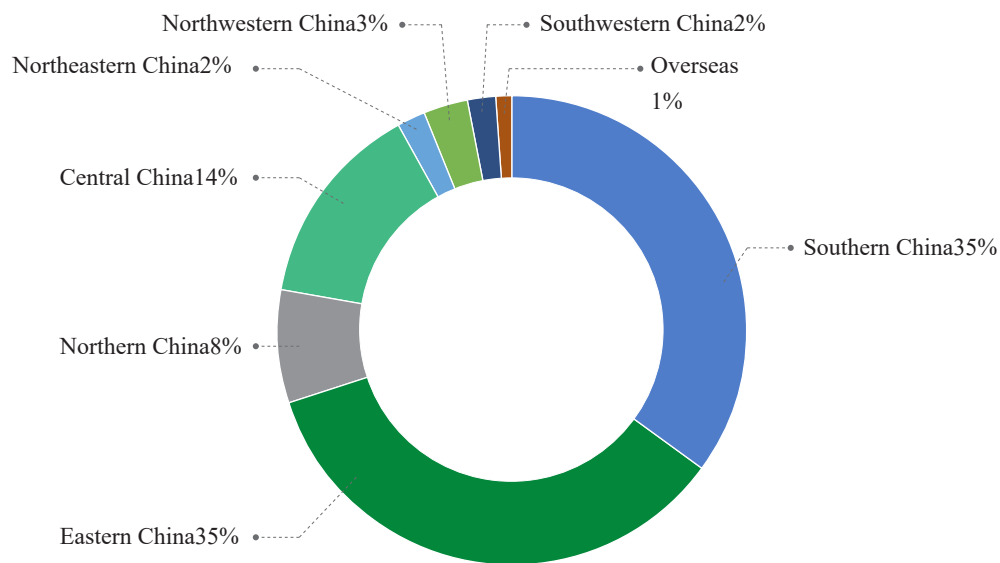
We abide by the Civil Code of the PRC, the Personal Information Protection Law of the PRC, and other laws and regulations on the protection of personal information. We have built a management system for customer privacy security risks to protect customer privacy.

Where reasonable, we adhere the principle of "Data minimization" to minimise the collection of customer information and other personal information, and allow customers to change their personal information by calling or emailing us. For highly confidential information, we sign confidentiality agreements with relevant parties and take necessary measures to ensure information security. In 2023, there were no customer privacy breaches or customer privacy disclosures within the Group.

5.6 Supply Chain Management

Joincare is deeply aware of the importance of ensuring the stability and sustainability of the supply chain and actively cooperates with suppliers to build a harmonious and win-win partnership. In strict compliance with relevant laws and regulations such as the Bidding Law of the PRC, we continue to improve the internal policies including the Procurement Control and Management Procedures, the Supplier Management System, and the Material Supplier Selection Instruction to standardise procurement and supplier management.

We have formulated and released the Code of Conduct for Suppliers to specify the main principles for suppliers in business ethics, labour rights and human rights, health and safety, environmental protection and green development. Besides, our purchasing practices are continuously reviewed to ensure that our suppliers operate in alignment with our Code of Conduct for Suppliers to avoid potential conflicts with ESG requirements.



Geographical Distribution of Suppliers

5.6.1 Supplier On-boarding Management

We set strict standards for supplier on-boarding in consideration of fair bidding, quality priority and diversified procurement. Potential suppliers are evaluated on the quality control, supply stability, environmental and risk control and other aspects through various forms such as desk assessment and product testing to verify their qualifications and capabilities. On even ground, we give preference to suppliers who have been certified to ISO 9001, ISO 14001, ISO 45001, and ISO 50001, or who have obtained other EHS-related certifications such as green factory, clean production review, and safety production standardisation. Suppliers included in the list of qualified suppliers shall sign the Procurement Contract and the Quality Assurance Agreement and return the Supplier Questionnaire Survey and the Supplier EHS Questionnaire Survey, which define their responsibilities of quality assurance and EHS management in the supply process, and their commitment to a stable and safe supply of production materials.

5.6.2 Supplier Classification and Risk Control

To assess and manage suppliers, we first identify, assess and manage supply chain risks, including environmental, social and governance (ESG) impacts and business relevance aspects. We evaluate the ESG impact of suppliers by assessing their country-specific risk, sector-specific risk and commodity-specific risk, and identify our significant suppliers and significant indirect suppliers.

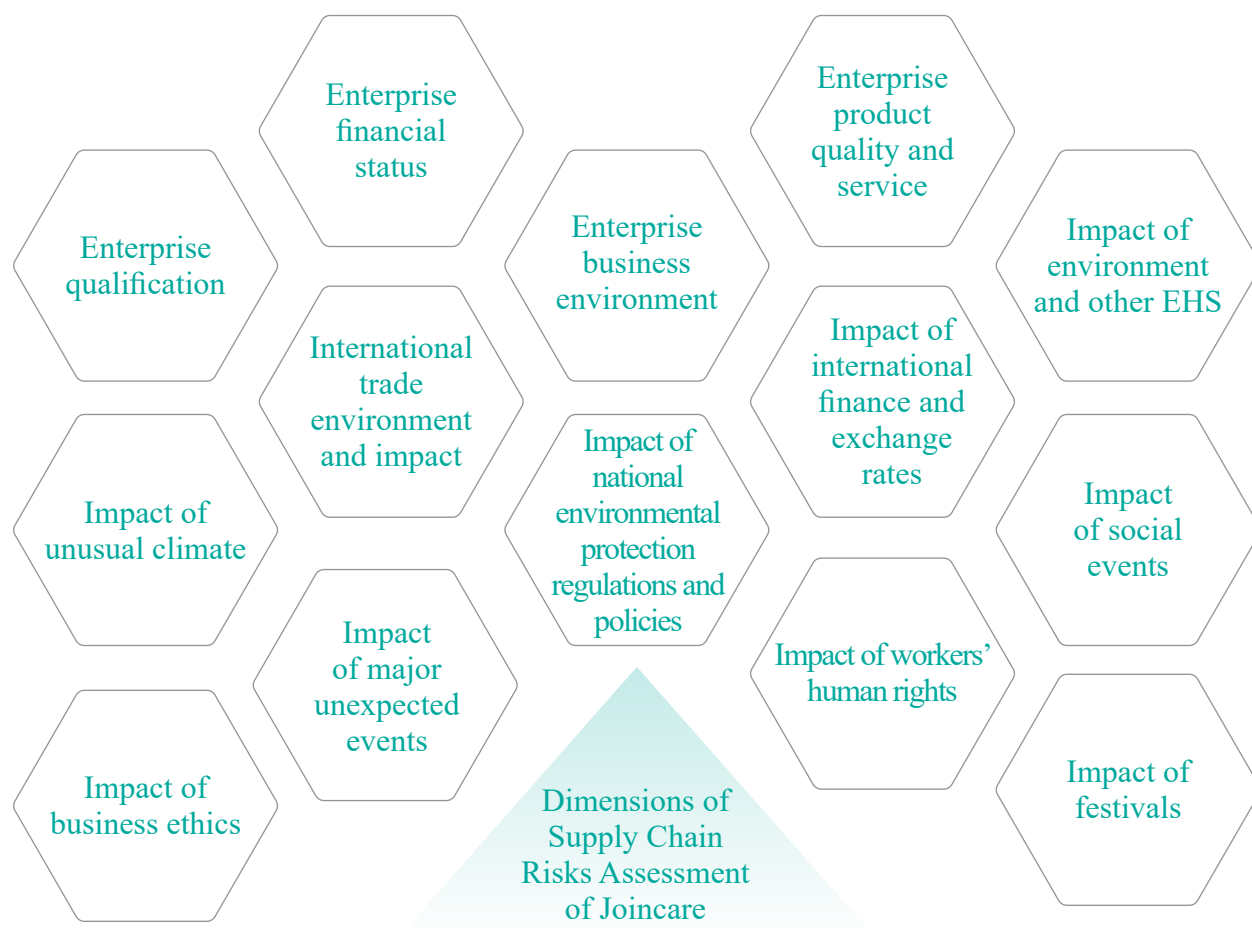


Table: Details of Joincare's Significant Suppliers

Total number of Tier-1 suppliers	4,084
Total number of significant suppliers in Tier-1	567
Total number of significant indirect suppliers	83
Total number of significant suppliers	650

The risk level of suppliers is initially determined according to the type of materials they supply. We implement hierarchical management on suppliers and the existing suppliers are rated at three levels, namely H (high risk)/M (Medium risk)/L (low risk). We comprehensively consider suppliers' product quality risk, consumption of materials, the impact of materials on product quality, and the risk factors involved above every year, and re-evaluate their risk level based on their annual quality review reports.

H (High-risk materials)

Materials that directly affect the intrinsic quality of medicines.

Such as APIs for medicine production.

M (Medium-risk materials)

Materials that indirectly affect the intrinsic quality of medicines.

Such as excipients for medicine production, packaging materials in direct contact with medicines, key consumables for preparations.

L (Low-risk materials)

Materials that affect the external quality or other quality characteristics of products.

Such as packing materials.

To ensure production stability and product quality and safety throughout the production process, we have developed comprehensive and systematic risk mitigation process and contingency plans based on our own supply chain and businesses. In procurement, we continue to improve our existing dual sourcing policy and have formulated relevant systems for alternative suppliers. We have alternative suppliers for raw materials and excipients as well as key consumables to minimise the supply risks resulted from the material shortage of suppliers. In production, we conduct research on preparations, establish production base for APIs, actively develop the API production process and strive for the integrated production of “APIs-preparations vertical integration” to steadily improve our production capacity for major raw materials. At the same time, the Group’s multiple manufacturing sites across the country can back up each other, with the ability to provide production support in case of emergencies.

In addition, we pay close attention to inventory levels in day-to-day operation. The following risk management measures are taken to ensure the production stability from the source:

- Signing strategic cooperation agreements with key material suppliers to ensure stable supply of materials.
- Planning for alternative suppliers and develop suppliers in advance to avoid single sourcing.
- Adopting the safe inventory strategy and dynamically managing inventory levels for materials supplied by high-risk suppliers, to maintain an optimal inventory level to meet six months to a year's production requirements.

Case**Active response to supply chain risks at Joincare Haibin**

Joincare Haibin implements diversified supply strategy and actively responds to supply chain risks:

1. The company ensures that its main raw materials and packaging materials are purchased from multiple suppliers, and production consumables are chosen from a number of qualified suppliers, in order to avoid supply shortage and enhance stability.
2. The company plans to introduce domestic suppliers for exclusive imported materials, striving to mitigate risks such as delayed delivery due to the change of the international pattern or suppliers' own reasons.

Case



Active response to supply chain risks at Xinxiang Haibin

To effectively prevent problems that affect supply chain stability such as supply chain disruption and supply shortage of qualified suppliers, Xinxiang Haibin has taken the following measures:

1. For each type of key raw material, the company ensures that there are 3 or more qualified suppliers to keep the supply chain safe and stable.
2. The company predict the market supply and demand according to the annual cyclical supply of products, and prepare certain safety stock of materials in short supply in advance to deal with the uncertainty caused by market changes.
3. The company continue to find and develop new qualified suppliers, ensure multi-regional, multi-channel and diversified management of qualified suppliers, so as to cope with risks brought by changes of government policies and uncertain market supply and demand.



Taitai Pharmaceutical ensures supply chain stability

To deal with the potential supply chain risks such as material shortage, supply shortage and delayed supply, Taitai Pharmaceutical reviews the past cooperation with suppliers and builds a feasible plan to mitigate supply risks:

1. The company regularly checks its inventory, establishes the minimum inventory alert line, and makes preparations for material purchase in advance.
2. The company regularly conducts desk assessment or on-site audit of suppliers' qualifications and production sites to understand their latest operating status, and timely assists suppliers to solve difficulties in production.
3. The company establishes long-term cooperations with suppliers and signs annual procurement agreements to ensure that suppliers deliver according to requirements and to reduce the risk of supply interruption.

5.6.3 Supplier Audit and Evaluation

Joincare has formulated the On-site Audit Management Procedures, the Supplier Quality Review Management, the Material Supplier Quality Audit Procedures, among others, which require periodical reviews of supplier's qualification, production site, process technology and production facilities, warehouse management, quality management system, environmental protection and occupational health and safety management. This year, we further revised our Supplier Management Procedures to set stricter management requirements for those involved in the Group's supplier audits, and to clarify the approval process of suppliers. In addition, we continue to strengthen the management of significant indirect suppliers, conducting on-site audits of the manufacturers of key products purchased from distributors (the significant indirect suppliers of the Group). We also inspect the production facilities and management of the upstream supply chain to ensure that significant indirect suppliers are qualified.

We determine the audit frequency and form according to the risk classification of suppliers. In case of any management or quality deficiencies during the audit, we will inform them through quality feedback notice. The results are consolidated in the Supplier Quality Audit Report as the requirements for suppliers to make rectifications and improvement. We also follow up on the rectifications of suppliers in a timely manner, collect rectification reports, and help them to improve quality management. In 2023, we audited a total of 1,130 tier-1 suppliers in accordance with the annual supplier audit plan and conducted on-site audits to 69 significant indirect suppliers.

Suppliers' Audit Dimensions of Joincare



Table: Suppliers audit frequency and form of Joincare

Supplier classification	Audit frequency and form
H (High-risk materials)	One on-site audit every 3 years
M (Medium-risk materials)	One desk audit on quality every 3 years
L (Low-risk materials)	One qualification information update every 3 years

In addition to the supplier audit, we also evaluate suppliers every year to get a timely and comprehensive understanding of supplier management. According to the Supplier Annual Evaluation Form, we give suppliers a letter grade of A, B, C, and D by assessing their product quality, product delivery accuracy, product delivery timeliness and service satisfaction. Among them, level C suppliers are required to make rectifications within a time limit, during which we will reduce the quantity we purchase from them accordingly. These suppliers will be re-evaluated and reclassified after rectifications. Level D represents unqualified. We will immediately end the cooperation with suppliers rated level D and revoke their supply qualifications for three years. The distribution of procurement shares in the next year is largely determined by the annual comprehensive supplier evaluation. Depending on business conditions and the results of the annual comprehensive supplier evaluation in the previous year, subsidiaries of the Group will make appropriate adjustments to the procurement ratio of the current year. In 2023, the Group conducted an annual comprehensive evaluation of 438 significant suppliers, either through desk assessments or on-site assessments.

5.6.4 Supplier ESG Management

Joincare keeps a close eye on suppliers' sustainable development management and performance, and systematically monitors their ESG management. The Corporate Social Responsibility Committee of the Board of Directors, as the highest decision-making body, is responsible for overseeing the implementation of supplier ESG programmes. At the same time, we have clarified the environmental, social and governance requirements for suppliers in the Code of Conduct for Suppliers, and increased our focus on suppliers' ESG management performance when onboarding, auditing and evaluating them.

We conduct an EHS survey and score on suppliers as part of the on-boarding process, and take the score as one of the factors for supplier admission. In the early stage of cooperation, we organise suppliers to learn the specific requirements of the Group's Code of Conduct for Suppliers, guide them towards more sustainable production and operations, and encourage them to obtain management system certifications such as ISO 14001 and ISO 45001 to mitigate ESG risks in the supply chain. By the end of the reporting period, the Group and subsidiaries had 491 suppliers that obtained certification for environmental management systems and 470 suppliers that obtained certification for occupational health and safety management systems.

We fully review suppliers' ESG management and implementation of the Code of Conduct for Suppliers during supplier audits and evaluations, and share ESG related regulations and regulatory trends with suppliers during on-site audits. Suppliers that are found to be in breach of the Group's ESG requirements during the audit and assessment will be excluded from contracting if they cannot achieve minimum ESG requirements within a specified timeframe. To supervise supplier EHS management, we have formulated the Supplier EHS Audit Management Procedure to clarify the EHS audit and relevant management requirements for suppliers. Supplier EHS audit includes safety, environmental protection and other fields, covering toxic and harmful emission indicators such as particulate matter, sulphide, VOCs emission, to review the supplier's management of indirect discharge of water pollutants, air pollutant emissions, noise and other emissions. We organise the EHS audit for suppliers every year, the results of which will be considered as an important factor for the next annual purchase share assessment. This can urge suppliers to promote their EHS management.

Procurement staff are also organised to learn about the supplier ESG management. This enables them to familiarise their roles with our supplier ESG program. Besides, we organise relevant training to help procurement staff better understand supplier ESG management, so that they can ensure strict compliance with the supplier ESG management standards in their daily work, thereby contributing to building a sustainable supply chain.

Case



EHS audits conducted by Xinxiang Haibin on suppliers

Xinxiang Haibin has incorporated EHS audits into the annual supplier audit plan. The audits covers staff occupational health and safety management, wastewater pre-treatment, waste gas treatment, and solid waste treatment. At the same time, Xinxiang Haibin focuses on the supplier's treatment of toxic and harmful emissions, reviewing its VOC emissions, exhaust gas and other indicators.



EHS audits conducted by Livzon Group on suppliers

Livzon Group, a holding subsidiary of Joincare, has incorporated EHS audits on suppliers into the annual supplier audit plan. The audit covers environmental and safety indicators, such as energy conservation and emission reduction, compliance with pollutant discharge standards, compliance with solid waste collection and disposal regulations, and ISO system certification. In addition, Livzon Group closely monitors the harmful emissions of suppliers, including sulfur dioxide emissions and hazardous waste treatment indicators into the scope of audits.

5.6.5 Supplier Capacity Building

We provide multiple channels including training, exchanges, and collaboration to help our suppliers build their capacity. To ensure the safety and reliability of our products, we carry out training on quality assurance covering all high-risk suppliers at least annually. During training, we emphasise the Group's quality standards and requirements to suppliers, help them analyse existing areas of improvement, provide guidance on environmental protection, technical improvement and other aspects, and encourage them to develop and implement relevant measures. In addition, we will further summarise the quality problems found in supplier audits and annual evaluations, and conduct special training and communication for suppliers to improve training efficiency. In 2023, the Group conducted training on quality assurance for all high-risk suppliers.

Case



Supplier training of Joicare's each subsidiaries

- In December 2023, Joicare Haibin provided quality assurance training for all tier-1 material suppliers, communicating the Group's quality management goals to suppliers, and helping them better understand the key points of quality and EHS management.
- Xinxiang Haibin conducted 30 supplier training sessions in 2023, during which the Business Department and the Quality Department jointly elaborated on the requirements of quality management, deviation management and supplier management.
- In 2023, Jiaozuo Joicare trained level A material suppliers and fermentation raw material suppliers through the case study of "A small story to understand quality management" to help them go deep into the quality management system. The Company also actively supports suppliers in improving their own supplier management level, and helps them stay compliant with regulatory requirements and build robust supplier management processes to ensure the quality and safety of materials from the source.



06

Access to Healthcare

SDGs in this section



Acting in the interests of patients and focusing on safeguarding human life and health, Joincare carefully conceives the corporate vision of “Diligently make high-quality drugs and innovative drugs”. We put great effort into the healthcare industry and firmly implement the dual-drive core strategy of innovative medicines and high-barrier complex formulations, and focus on the unsatisfied clinical needs, constantly consolidating our position as the leader of China’s high-end inhalation formulations sector. We endeavour to improve the availability and affordability of high-quality pharmaceutical products and services. We make sustained efforts to overseas business, contribute to improving the quality and capacity of health services in developing countries, and facilitate the improvement of human health by working with stakeholders.

The Board of Directors of Joincare, as the highest organ represent for Access to Healthcare issues, is responsible for understanding and monitoring the management of the Group’s Access to Healthcare issues through the Corporate Social Responsibility Committee. The Corporate Social Responsibility Committee is responsible for regularly reviewing the development of the Group’s strategies & policies and performance on Access to Healthcare issues, overseeing and reporting the progress to the Board of Directors, and urging the Group to improve access to healthcare.

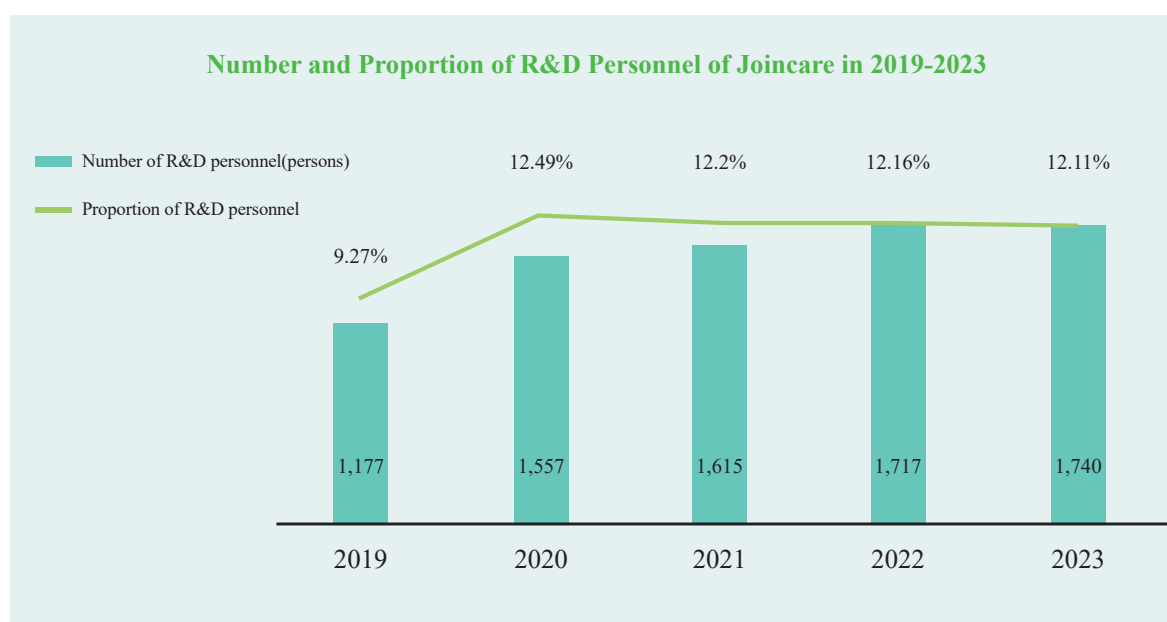
6.1 Focusing on R&D and Innovation

Focusing on the development of innovative medicines and high-barrier complex formulations, the Group actively seeks cutting-edge technologies and development opportunities at home and abroad. We practise the R&D mode that integrates independent R&D, license-in and cooperative development, and focus on key treatment fields, including respiratory diseases, digestive system diseases, assisted reproduction, psychiatric disorders, and tumour immunity. Moreover, we continuously expand the product line and R&D pipeline in areas where we have an advantage.

We have a multi-level R&D mechanism and an experienced R&D team for independent R&D. To promote independent R&D, we continue to invest more and strengthen the construction of innovative technology platforms for inhalation administration, antibody, sustained-release microspheres, and complex injection, and expand the R&D of other high-end formulations with market potential and new drug delivery devices. By the end of the reporting period, the Group had made landmark progress in many high-barrier complex formulations, obtaining a number of approvals for production or clinical trials. In terms of cooperative innovation, we introduce new technologies and products through cooperative development, technology transfer, patent licensing and other ways. Based on this, we can rapidly promote the subsequent pharmaceutical, clinical and non-clinical research and study on industrial transformation of new products. We also work with first-tier top R&D teams in China to enhance product development in areas where we have an advantage and speed up the transition to an innovative pharmaceutical enterprise.

In addition, the Group actively explores the application of new technologies in the traditional pharmaceutical manufacturing industry. It has established long-term cooperative relations with well-known universities, scientific research institutions, and laboratories both domestically and abroad. Based on this, we create an enterprise technology innovation network with coordinated efforts of enterprises, universities, and research institutions. We now have three national R&D technology centres and several provincial and municipal innovation carriers; meanwhile, in terms of biosynthesis, eight R&D platforms have been established for synthetic biology, industrial microbial breeding, biochemical APIs, biocatalysis, biological transformation and amplification, product extraction, drug synthesis, and AI in pharma. To build a biosynthesis platform, the Group has established an operating system that facilitates genetic modification, simultaneous gene editing and high-fidelity multi-DNA splicing of various prokaryotic and eukaryotic microorganism. In addition, we have developed a complete set of processes for whole-genome variation analysis and prediction of gene clusters of key secondary metabolites. With these efforts, we have made targeted genome modification and fusion possible, enhancing our capabilities in gene capture and manipulation of large DNA segments. We have also improved the technologies such as high-throughput DNA splicing and large-scale targeted genetic screening. In addition, we have expanded the technical system that restructures the metabolic network with predicted molecular elements to breed various candidate strains with the upgraded genetic modification. In the future, we will continue to enhance technological innovation ability to drive the pharmaceutical industry's high-quality development.

By the end of the reporting period, the Group's R&D team had been growing continuously, with 1,740 R&D personnel. We also have continuously increased investment in R&D. This year, the total R&D expenditures amounted to RMB1,631.86 million, accounting for 9.80% of the total audited revenues of the year.



Joincare's R&D Expenditures and Proportion of Its Total Revenues in 2019-2023

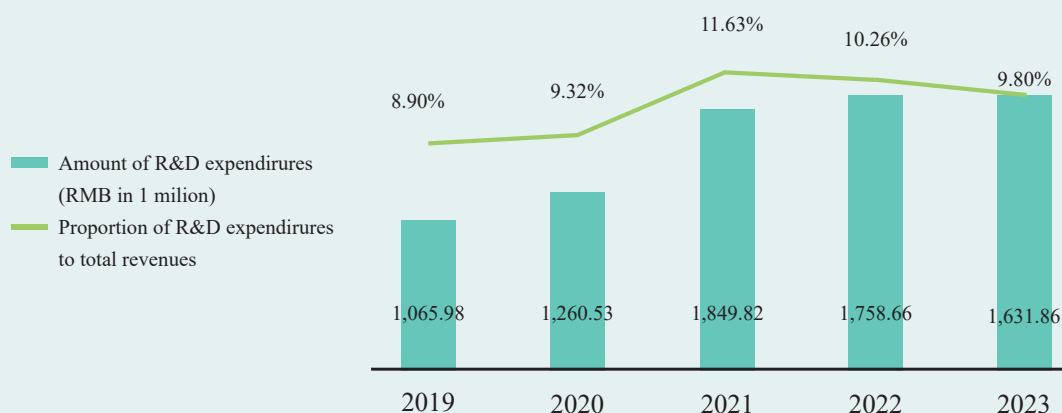


Table: Major R&D/registration progress of Joincare in 2023

Date	Major R&D/Registration Progress
January 2023	Approval for drug registration obtained for Tocilizumab Injection
January 2023	Clinical Trial Approval Notice obtained for Asenapine Transdermal Patch
January 2023	Class II Medical Device Registration Certificate obtained for mesh atomiser Air 360 mini +T
February 2023	The first to submit the ANDA in China for Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation
March 2023	Approval for drug registration obtained for Long Chain Fat Emulsion Injection (OO)
May 2023	New indications obtained for Ilaprazole Sodium for Injection
May 2023	New indications obtained for Tocilizumab Injection
May 2023	Approval for drug registration obtained for Triptorelin Acetate Microspheres for Injection
June 2023	Class I Medical Device Registration completed for Smear-type Applicator
June 2023	Approval for drug registration obtained for Biapenem for Injection
July 2023	Approval for drug registration obtained for Formoterol Fumarate Solution for Inhalation
July 2023	Recombinant Anti-human IL-17A/F Humanised Monoclonal Antibody Injection underwent the phase III clinical trial
July 2023	Approval for clinical trials obtained for Recombinant SARS-CoV-2 Fusion Protein Bivalent (Prototype/Omicron XBB Variant) Vaccine (CHO Cell)
August 2023	NDA for new indications accepted for Triptorelin Acetate Microspheres for Injection

Date	Major R&D/Registration Progress
August 2023	Approval for drug registration obtained for Blonanserin Tablets
September 2023	NDA accepted for Aripiprazole Microspheres for Injection
September 2023	TG-1000 Capsules initiated the phase III clinical trial
October 2023	Clinical Trial Approval Notice obtained for Elagolix Sodium Tablets
November 2023	Clinical Trial Approval Notice obtained for Meloxicam Nanocrystal Injection
December 2023	Emergency use granted for Recombinant SARS-CoV-2 Fusion Protein Bivalent (Prototype/Omicron XBB Variant) Vaccine (CHO Cell)

6.1.1 Diversified Product Development

Committed to Respiratory Health

Chronic respiratory diseases are a major category of diseases represented by chronic obstructive pulmonary diseases (COPD), asthma, etc., featuring a high prevalence rate, high disability rate, high mortality rate, and high disease burden. As the best and most effective therapy methods for chronic respiratory diseases, inhalation formulations can quickly and directly reach the lungs to play their therapeutic effect, reducing drug dose and improving drug efficacy. However, foreign companies have long monopolised the market due to the high barriers to R&D and production. As a leader of the inhalation formulations sector in China, Joincare, adhering to the original aspiration of “joining us in respiratory care”, continues to improve the market presence of respiratory disease medicines, and strengthen the R&D of inhalation formulations through extensive industrial cooperation, to support domestic respiratory disease treatment.

We have established R&D platforms for inhalation formulations and formed an integrated and clear R&D pipeline, in cooperation with Dr. Jin Fang, the leader and pioneer in the R&D of inhalation formulations in China, and her R&D team, as well as the Guangzhou Institute of Respiratory Health led by Academician Zhong Nanshan. After years of steady development, we have become one of the leaders in the R&D of high-end inhalation formulations in China. Our existing products and products under R&D cover all types of drugs for inhalation therapy for COPD and asthma, providing more effective and safe drugs for patients with COPD and asthma.

By the end of the reporting period, the Group had 8 varieties of inhalation formulations in 12 specifications on the market. In 2023, we had several respiratory products under R&D. In terms of inhalation formulations, Formoterol Fumarate Solution for Inhalation is approved for launching. Indacaterol Maleate Powder for Inhalation and Fluticasone Propionate Nebuliser Suspension are under review for listed approval. Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation, a generic drug which has been first submitted for registration application in China following the publication of the Guideline for Bioequivalence Study on Genetic Drugs of Orally Inhaled Drug Products in 2020, has filed application for launching. In terms of devices, we continue to develop medical devices that are compatible with our inhalation formulations. Our mesh atomiser Air 360 mini + T that can be used with Tobramycin Inhalation Solution has obtained the Class II Medical Device Registration Certificate. In addition, we have made significant progress in a number of R&D projects of Class 1 innovative medicines. Among them, new anti-influenza drugs TG-1000 Capsules have initiated the phase III clinical trials and completed the enrolment plan. Both the new dual-target drug DBM-1152A and new oral drug N91115 for asthma have initiated the phase I clinical trials and are undergoing clinical studies.

Throughout 2023, our R&D progress in respiratory formulations was shown as follows:

Table: Joincare's R&D progress in respiratory formulations in 2023

Medicine Form	Product Name	Registration Category	Preclinical	Clinical Trial/BE Trial			NDA/ANDA
				Phase I	Phase II	Phase III/BE	
Solution for Inhalation	DBM-1152A	Chemical drugs Class 1		»»»»»			
	XYP-001	Chemical drugs Class 2.2 and 2.4		»»»»»			
	Fluticasone Propionate Nebuliser Suspension	Chemical drugs Class 4					»»»»»
Powder for Inhalation	Indacaterol Maleate Powder for Inhalation	Chemical drugs Class 4					»»»»»
	Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	Chemical drugs Class 4					»»»»»
	Indacaterol Maleate and Glycopyrronium Bromide Powder for Inhalation	Chemical drugs Class 4	»»»»»				
Inhalation Aerosol	Mometasone Furoate and Formoterol Fumarate Dihydrate Inhalation Aerosol	Chemical drugs Class 3				»»»»»	
	Formoterol Fumarate Inhalation Aerosol	Chemical drugs Class 2.2		»»»»»			
Oral Formulations	TG-1000 Capsules	Chemical drugs Class 1				»»»»»	
	N91115	Chemical drugs Class 1		»»»»»			

R&D Efforts in Bio-Pharma

Over the years, LivzonBio, a subsidiary of Joincare, has kept exploring biomedicine. It has built well-developed R&D and production technology platforms for antibody medicines and fusion protein medicines. LivzonBio focused on the development of products related to autoimmune disease, tumour, reproduction, and major communicable disease prevention and has carried out and promoted a number of R&D projects for innovative vaccines, monoclonal antibodies, and recombinant protein drugs.

LivzonBio speeds up the approval of new products through independent R&D, license-in, strategic cooperation, and other ways. Relying on the well-developed R&D and industrialisation conditions of recombinant protein drugs, LivzonBio continuously enriches the pipelines of products under research and improves the commercialisation of products. In December 2023, as proposed by the National Health Commission of the PRC, the National Medical Products Administration demonstrated and approved for the emergency use of the Recombinant SARS-CoV-2 Fusion Protein Bivalent (Prototype/Omicron XBB Variant) Vaccine (CHO Cell) (“丽康民®”) developed by LivzonBio. It is the Company's second COVID-19 vaccine allowed for emergency use after 丽康 V-01. 丽康民®, a broad-spectrum bivalent vaccine developed by LivzonBio based on the same platform as 丽康 V-01, uses an innovative molecular design and covers various key mutation sites of COVID-19 epidemic variants such as XBB.1.9.1, XBB.1.5 and XBB.1.16. By the end of the reporting period, this vaccine had undergone the clinical trials in accordance with the protocol approved by the National Medical Products Administration and had completed the enrolment of all subjects, reaching the preset major study endpoint. According to the results of clinical trials, 丽康民® features fast onset, high antibody titre, high safety, and excellent immunogenicity and safety in the elderly, offering good protection against the current main epidemic strains.

Moreover, this year Recombinant Anti-human IL-17A/F Humanised Monoclonal Antibody Injection (“LZM012”), which is jointly declared by LivzonBio and Beijing Kanova Biopharma Co., Ltd. as the key product under research, is undergoing the phase III clinical trial. LZM012 is the first drug in China that is under the phase III clinical trial comparing with active IL-17A listed drug (Secukinumab). The results of the phase II clinical trial show that, LZM012 has fast onset, good efficacy, long acting and other advantages. It is also superior to IL-17A single-target drugs in efficacy, and is expected to provide better potential therapeutic schedule for psoriasis in China.

Table: LivzonBio's R&D progress of key products under research

Field	Medicine Code (Full name)	Preclinical	Clinical Trial			NDA/ANDA
			Phase I	Phase II	Phase III	
Vaccine	Recombinant SARS-CoV-2 Fusion Protein Bivalent (Prototype/Omicron XBB Variant) Vaccine (CHO Cell)					Emergency use granted
Anti-tumour	Lipstobart for Injection					»»»»
	A-01 (Recombinant Tumour Enzyme Specific Interferon α -2b Fc Fusion)		»»»»			
Assisted Reproduction	B-01 (Recombinant Human Follicle Stimulating Hormone)				»»»»	
	Recombinant Human Choriogonadotropin alfa for Injection					»»»» (Overseas NDA)
Immune Disease	LZM012 (Recombinant Anti-human IL-17A/F Humanised Monoclonal Antibody Injection)				»»»»	

Development of Sustained-Release Microspheres for Injection

Microspheres are microspherical polymers prepared with high molecular materials with a particle size of 1 - 250 μ m and containing one or more drugs. Microsphere formulations are superior to traditional injection formulations in long acting and high bioavailability. They have specific tropism to target organs and can greatly improve drug convenience and compliance, with outstanding clinical advantages. Livzon Microsphere, a subsidiary of Joicare, focuses on the R&D of anti-tumour, endocrine-regulating, and antipsychotic microsphere formulations, which are advantaged for their long-acting and sustained-release mechanism. The company has an overall arrangement in long-acting eye medication and an in-depth study of long-acting formulation technology with independent intellectual property rights (IIPR). In May 2023, Triptorelin Acetate Microspheres for Injection (“维宝宁®”), a modified new drug developed by Livzon Microsphere, was approved for launching. It is indicated for the treatment of patients with prostate cancer who require androgen deprivation therapy. As the only domestic Triptorelin Microsphere, 维宝宁® offers significant advantages such as a longer duration of action and fewer doses required, compared with the regular Triptorelin Acetate Injection. It can reduce the patients' pain and drug burden, effectively improving the drug tolerance and accessibility.

By the end of the reporting period, the sustained-release microsphere R&D platform had 8 ongoing projects. Among them, 3 medicines were under application for launching approval and registration, 1 medicines was at phase I clinical trials, 2 medicines were at BE (pilot) trials.

Table: Livzon Microsphere's R&D progress of key products under research

Project Name	Indication	Preclinical	Clinical Trial/BE Trial			NDA/ ANDA
			Phase I	Phase II	Phase III/ BE	
Triptorelin Acetate Microspheres for Injection (1-month sustained release)	Endometriosis					»»»»»
Octreotide Acetate Microspheres for Injection	Acromegaly, gastrointestinal pancreatic endocrine tumour				»»»»»	
Leuporelin Acetate Microspheres for Injection (3-month sustained release)	Prostate cancer, premenopausal breast cancer				»»»»»	
Alarelin Acetate Microspheres for Injection (1-month sustained release)	Prostate cancer, estrogen-receptor-positive premenopausal breast cancer, endometriosis		»»»»»			
Aripiprazole Microspheres for Injection	Schizophrenia, bipolar disorder					»»»»»

6.1.2 External Cooperation and Recognition

The Group makes continuous efforts in cooperative development and license-in of products in core fields, while strengthening independent innovation. We leverage the global superior resources and cutting-edge technologies to enhance the Group's marketing and integration capabilities. This year, we made phased progress in business development, introducing many innovative drugs and continuing to develop respiratory drugs and analgesics. In addition, we have taken the lead in AI-driven pharmaceutical R&D. In 2021, we signed a Strategic Cooperation Agreement with Tencent Quantum Lab to drive the application of "quantum computing + AI" in research fields of synthetic microbial biology and relevant drugs, and to promote the development and progress of pharmaceutical R&D technology.

Case



Joincare acquired exclusive license of Fermion's new analgesic FZ008-145 in Greater China

In November 2023, Joincare signed an agreement with Guangzhou Fermion Technology Co., Ltd. ("Fermion") to acquire the exclusive license of new analgesic FZ008-145 independently developed by Fermion in Greater China. The innovative small molecule drug FZ008-145 is the world's second and China's first second-generation highly selective Nav1.8 (voltage-gated sodium channel 1.8) inhibitor. It is intended for the treatment of pain and is a good remedy for effective and non-addictive analgesia. In January 2024, the Clinical Trial Approval Notice was obtained for FZ008-145. Joincare will be responsible for subsequent work such as clinical studies and manufacturing declaration. As its MAH holder, we will obtain the right to manufacture and sell this product in Greater China after its approval. Thanks to this cooperation, the Group enriched its layout in R&D pipeline of analgesics. Going forward, we will speed up the clinical development of FZ008-145 so as to provide better treatment options for patients with pain as soon as possible.

Case

Joincare acquired exclusive license of TaiGen's new antiviral drug TG-1000 in Greater China

In March 2023, Joincare signed a Patent Licensing and Commercial Cooperation Contract with TaiGen Pharmaceutical R&D (Beijing) Co., Ltd. and TaiGen Biotechnology Co., Ltd. (collectively "TaiGen") to acquire the exclusive license to develop, manufacture and commercialise the new antiviral drug TG-1000 in China (including the Hong Kong and Macao Special Administrative Regions). TG-1000 is primarily indicated for the treatment of acute infective simple uncomplicated influenza A and B viruses. According to the current data, it has the advantages of fast onset, long duration of inhibition, good tolerance, oral administration not affected by food, and low drug resistance. By the end of the reporting period, the Group had initiated the phase III clinical trial of TG-1000 and completed the enrolment plan. It is expected that after TG-1000 is on the market, its APIs will be manufactured in the high-end API project in Macun District, Jiaozuo City, Henan Province. This will play an important role in expanding, complementing and strengthening the biomedical industry chain in Macun District.

In 2023, Joincare and its subsidiaries gained many external honours and recognition. The Group won the titles of "Top 100 Enterprises in China's Pharmaceutical Industry", "China's Top 500 Manufacturing Private Enterprises", "Top 100 Manufacturing Private Enterprises in Guangdong Province", and "Top 100 Private Enterprises in Guangdong Province". Shanghai Frontier, a subsidiary of Joincare, was newly awarded "Shanghai Enterprise Technology Centre", and re-qualified as "High-tech Enterprise" and "Specialised, Refined, Differential and Innovative Small and Medium-sized Enterprises of Shanghai". Joincare Haibin, a subsidiary of Joincare, was awarded the "Engineering Research Centre of Key Technology Study and Innovative Technology Application for Industrialisation of Inhalation formulations" by the Department of Science and Technology of Guangdong Province. In addition, as the world's first inhalation formulation and the China's first inhaled antibiotic for the treatment of bronchiectasis, 健可妥®, a modified new drug developed independently by Joincare, was presented at the "2023 Conference on the Development of China's Pharmaceutical Industry and Achievement Tour Exhibition for the Development of Chinese Pharmaceutical Industry in the New Era", showcasing the Group's remarkable achievements in the R&D of inhalation formulations.

6.2 Paying Attention to Rare Diseases Treatment

Rare diseases, also known as "orphan diseases", are featured by unknown causes and extremely low incidence rates. High treatment costs for rare diseases result from their low market demand, difficulties in R&D and lack of experience in clinical medication, and even there is no medicine for some 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, we, based on our own scientific platform and capabilities, undertake corporate social responsibility actively by continuously investing in research on rare diseases, and focusing on improving the current situation of diagnosis and treatment of rare diseases, thus making contributions to building a Healthy China.

Idiopathic Pulmonary Fibrosis

Idiopathic Pulmonary Fibrosis (“IPF”) is a cryptogenic, chronic, progressive, and interstitial pneumonia. This disease usually affects middle-aged and aged people and has cardinal symptoms, including progressively increased dyspnea with restrictive ventilation dysfunction and ventilation dysfunction. Besides, it is featured by rapid progress, poor prognosis and no proven effective treatment to date. It’s proved that traditional hormone therapy or anticoagulant therapy is unable to alleviate the disease progression of IPF, and it has strong side effects or the risk of aggravating complications. Therefore, it is not recommended for the treatment of IPF. Due to the limitations of existing drugs, Joincare developed the modified new drug XYP-001 in 2022, which is a new mechanism/target drug in IPF indication development area. The Company successfully obtained the Clinical Trial Approval Notice issued by the National Medical Products Administration in September of the same year. By the end of the reporting period, the phase I clinical trial of XYP-001 had been successfully completed, with the phase II clinical trial scheduled to start. If it is launched, it will be a new and more secure drug alternative for IPF patients. While developing the treatment research of IPF, we pay close attention to other rare respiratory diseases (such as pulmonary arterial hypertension) and take active efforts in preliminary project research.

Malignant Hyperthermia

Malignant Hyperthermia (“MH”), a rare clinical hereditary disease that can cause perioperative death due to conventional anaesthesia, has an extremely low incidence rate and an extremely high mortality rate. Dantrolene Sodium for Injection is the only specific medicine for the treatment of the disease. Due to the high challenge in R&D and low-profit margin, no enterprise in China had been engaged in R&D and production of the drug for a long time. Joincare’s holding subsidiary Livzon Group began to plan the R&D of the medicine in the early days. After over a decade of arduous exploration, it obtained the medicine registration certificate in October 2020, and thus became the first enterprise in China to successfully produce generic Dantrolene Sodium for Injection, bringing good news to the vast number of MH patients and anaesthetists in China. In the future, we will further appeal to hospitals with clinical needs to stock Dantrolene Sodium for Injection and include it in the essential drugs for clinical rescue to save the lives of MH patients in time.

Acromegaly

Acromegaly is an endocrine and metabolic disease caused by hypersomatotropism of the adenohypophysis. The Octreotide Acetate Microspheres for treatment of the disease are featured by the technical difficulty of mass production, the high R&D cost, the long R&D cycle, and the high import price, financially burdening patients and the national medical insurance system. Based on the urgent need for localisation, Livzon Microsphere, a subsidiary of Joincare, has initiated the imitation of Octreotide Acetate Microspheres for Injection and obtained approval for clinical trials in September 2020, which allowed bioequivalence (BE) studies to be conducted on healthy people in contrast with the brand-name medicines. By the end of the reporting period, Livzon Microsphere was conducting BE study for Octreotide Acetate Microspheres for Injection, expecting to provide generic drugs with guaranteed quality and efficacy as soon as possible to relieve the burden of patients with acromegaly.

Thymic tumour

A thymic tumour is a relatively rare type of thoracic neoplasm. Pathological classification of the World Health Organisation classifies it as a thymic epithelial tumour, including thymoma and thymic carcinoma, with an incidence of 1.3-3.2 per million. Thymic Carcinoma is a rare Epithelial Malignancy, which is more aggressive than thymoma. Most patients with thymic carcinoma are exposed to external invasion or metastasis at the first discovery. The incidence and survival time of patients with thymic carcinoma is significantly lower than those with thymoma. At present, thymic carcinoma still lacks effective targeted therapy drugs. Evidence-based medical evidence is limited, and the predictive markers and prognosis are uncertain.

Lipstobart for Injection (“LZM009”), a product under research by the Group’s subsidiary LivzonBio can inhibit or activate receptors by targeting the protein to enhance immune response and improve cancer prognosis. By the end of the reporting period, LZM009 had completed the enrolment in phase II clinical trial for the selected subjects in the patients

with advanced thymic carcinoma. According to the clinical results, the phase II clinical trial has reached the preset efficacy. LZM009 has shown good efficacy and safety in the patients with recurrent or metastatic thymic carcinoma who have failed first-line chemotherapy, making it clinically superior to other alternatives mentioned in the diagnosis and treatment guidelines. In July 2023, application for communication before new drug application (NDA) in China was submitted for LZM009. If it is smoothly approved for launching, it is expected to provide more options and better therapeutic schemes for the treatment of thymic tumour.

Systemic juvenile idiopathic arthritis

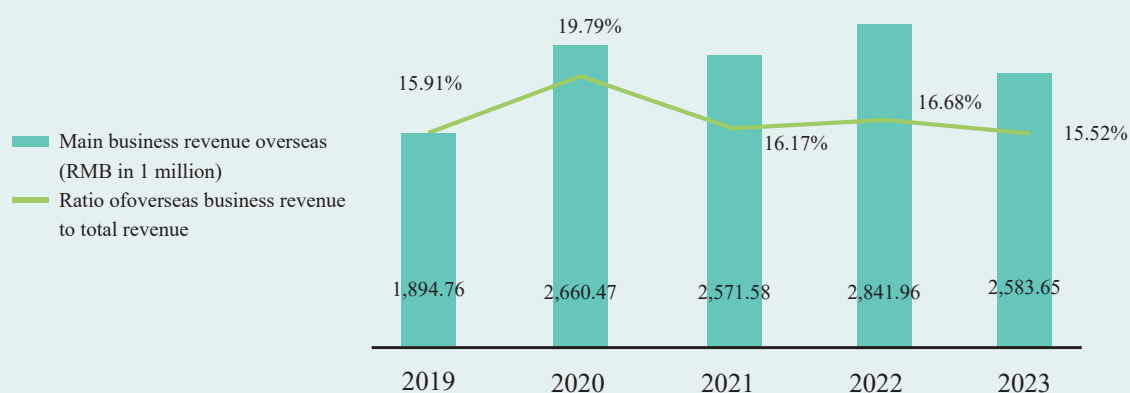
Systemic juvenile idiopathic arthritis (“sJIA”) is a rare chronic systemic disease that usually affects children aged 16 years or younger. sJIA, mainly featured by arthralgia lasting 6 weeks or more and accompanied by damage to other tissues and organs, is one of the most severe subtypes in juvenile idiopathic arthritis. At present, the incidence rate in China is about 0.01%.

Tocilizumab Injection (“安维泰®”), a Recombinant Humanised Monoclonal Antibody targeting Interleukin-6 Receptor (IL-6R) developed by LivzonBio, a subsidiary of Joincare, was approved for marketing with the indications of rheumatoid arthritis in January 2023. In May 2023, the supplementary application of 安维泰® was approved by the National Medical Products Administration for additional indications in sJIA and cytokine release syndrome (CRS). Tocilizumab Injection is the only biologics approved for sJIA indications in China, and also the drug for the treatment of sJIA active systemic symptoms or active sJIA with failed first-line treatment, as recommended by domestic and overseas definitive guides. Characterised by fast onset and sustained efficacy, it can rapidly improve the disease activity index of child-patients, timely control the conditions, help them catch up on growth and reduce damage to the joint structure, providing a new targeted option for the treatment of child-patients with sJIA.

6.3 Improving Product Availability

To improve our product availability and make more safe and effective products available to global patients, Joincare expands the production and marketing of vaccines, patent medicines, generics, APIs, and IVD (In-Vitro Diagnostics) reagents and devices overseas mainly via direct operation and authorising local distributors. So far, our products have been approved for registration in major pharmaceutical markets and emerging markets in multiple countries and areas across Asia, Europe, North America and Africa. During 2023, our revenues generated from overseas businesses reached RMB2,583.65 million, representing a 5-year compound annual growth rate of 7.93%.

Joincare's Main Business Revenue Overseas and Proportion of Its Total Revenues in 2019-2023



Internationalisation is the long-term strategy of Joincare's development. In September 2022, Joincare successfully listed its Global Depository Receipt (GDR) on the SIX Swiss Exchange, becoming the first domestic biopharmaceutical company to issue and successfully list the GDR in Switzerland. The speed of the Group's internationalisation that highlights both "bringing in" and "going global" will be further increased by launching the GDR. At present, we are working to seek the opportunities to expand the introduction, investment and M&A of overseas high-quality pharmaceutical products and pipelines. As part of our "bringing in" strategy, we are focusing on expanding new targets, mechanisms, and methods of administration and indications in key treatment fields, including respiratory diseases, gastroenterology, psychiatric disorders, and assisted reproduction. This can not only enhance the Group's strength in R&D pipeline, but also support our strategic development over the next 3-5 years and beyond.

To facilitate "going global", we pay close attention to the policies and opportunities for innovative development in the capital market, and actively use the capital market to support our strategic development and business layout. We carried out a number of on-site investor communication activities in Singapore, the United Arab Emirates, Switzerland and other overseas countries. During these activities, we elaborated on the Group's dual-drive strategy of "Innovative Medicines and High-Barrier Complex Formulations", international layout and key products to overseas institutional investors. These efforts further boosted the Group's international presence, laying a foundation for the subsequent development of overseas markets and channels.

We proceeded with the work of admittance, product registration, and promotion for products such as inhalation formulations, assisted reproduction, gastroenterology, and anti-infection overseas. Ilaprazole Sodium for Injection and Ilaprazole Enteric-Coated Tablets, which are our major products, are granted for sale in the Indonesian market. Compound Ipratropium Bromide Solution for Inhalation is approved for drug registration in the Philippines. Levosalbutamol Hydrochloride Nebuliser Solution and Budesonide Suspension for Inhalation are registered in Macao, and are being registered in countries like the Philippines. The application for registration of Cetrorelix Acetate Powder for Injection has been submitted in the United States. Meanwhile, we promote international cooperation and external licensing and authorisation of innovative products and pipelines, and we conduct discussions on cooperation with international multi-parties. Among them, we are discussing external authorisation of the modified new drugs Tobramycin Inhalation Solution with customers in European and Southeast Asia.

To promote the industry chain integration, the Group leverages the strategic advantage of "APIs-preparations vertical integration" to globalise and integrate the core supply chain while expanding the business map. We accelerate the development of overseas API business, and step up efforts to develop the market for high-end antibiotic APIs. We strengthen cooperation with local preparation producers, and constantly advance the registration of APIs and intermediates in emerging markets and developing countries. With these efforts, we aim to further enhance the global availability of the Group's high-quality products and services.

Case



Improving the availability of inhalation formulations - Joincare's Compound Ipratropium Bromide Solution for Inhalation was launched in the Philippines

In January 2024, Compound Ipratropium Bromide Solution for Inhalation, independently developed by Joincare, successfully obtained the drug registration certificate approved and issued by the Philippines Food and Drug Administration. This marked that the Group was eligible for the sales of this product as a drug in the Philippine market. Compound Ipratropium Bromide Solution for Inhalation is applicable to the patients jointly applying a variety of bronchodilators and is the commonly used drug for the patients with asthma and chronic obstructive pulmonary disease. Approved for marketing in China in April 2019, it is the first atomisation inhalation solution in China to be approved for new Class 4 registration. Its overseas listing positively promotes the marketing of the Group's inhalation formulations in the overseas market, and further enhances the availability of high-end inhalation formulations in the overseas developing countries.

Case

Expanding the biologics business - Livzon Group's Recombinant Human Choriogonadotropin alfa for Injection entered the Southeast Asian market

Recombinant Human Choriogonadotropin alfa for Injection (“丽得宝®”), an assisted reproduction drug developed by LivzonBio, was approved for marketing in China in 2021. Due to its high safety and affordable price, Livzon Group, Joincare's holding subsidiary, is working on its overseas registration. Besides, it is also seeking overseas cooperation, in an endeavour to benefit more infertile people all over the world and provide more economical products for overseas patients.

By the end of the reporting period, the registration information had been submitted for Recombinant Human Choriogonadotropin alfa for Injection in Uzbekistan, Pakistan, the Philippines and Nigeria, and we had obtained the approval for NDA issued by Badan Pengawas Obat dan Makanan (BPOM), a PIC/S member country. These efforts have enabled us to make a successful entry into Indonesia, the largest market in Southeast Asia. The approval of Recombinant Human Choriogonadotropin alfa for Injection for marketing in Indonesia can benefit about 4 million local infertile people, and help Livzon Group accelerate its registration process in more PIC/S member countries in Southeast Asia and other regions, thereby benefiting more overseas patients. Moreover, Livzon Group signed a Memorandum of Understanding on strategic cooperation and localised production cooperation of biologics with the leading enterprise of reproductive products in Bangladesh, with the intention of introducing Recombinant Human Choriogonadotropin alfa for Injection into Bangladesh. This was followed by a strategic localised production cooperation. If all goes well, Recombinant Human Choriogonadotropin alfa for Injection will be available in Bangladesh in the future, and more than 3 million local patients in need of assisted reproduction will have better treatment options.

Speeding up the internationalisation of TCM - Livzon Group's Jingfu Zhiyang Keli obtained the EAC Certificate of State Registration

Livzon Group, Joincare's holding subsidiary, accelerated the overseas business of TCM preparations, and successfully obtained the EAC Certificate of State Registration for Jingfu Zhiyang Keli issued by the Russian authorities in December 2023. With the functions of dispelling wind, eliminating dampness, clearing heat, removing toxicity, and arresting itching, Jingfu Zhiyang Keli is used to treat wind-heat and damp-heat type papular urticaria in children. It is the Livzon Group's first TCM product approved in Eurasian Economic Union countries. In the future, this product will be able to circulate and be sold freely within the customs territories of five Eurasian Economic Union member countries (Russia, Kazakhstan, Belarus, Kyrgyzstan and Armenia), benefiting approximately 5.5 million patients.

6.4 Improving Product Affordability

The cost of medicines accounts for the majority of the medication-related financial burden. Joincare is committed to alleviating the financial burden on patients by adopting inter-country and intra-country tiered pricing based on affordability, aiming to provide high-quality medicines to more patients at affordable prices.

Domestic Market

The Group actively responds to admission to the medical insurance list. In 2023, in the new version of the National Medicine List for Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (“National Reimbursement Drug List”) published by the National Healthcare Security Administration, Joincare had 210 products included, among which 95 were Class A and 115 were Class B. In addition, Joincare has been keeping track of the national centralised drug procurement, striving to be included in the national procurement list. This year, we participated in the eighth and ninth batches of national centralised medicine procurement organised by the China National Joint Drug Procurement Office. Among them, two products of Joincare’s holding subsidiary Livzon Group, won the bid for the eighth batch of national procurement, and one product of Joincare won the bid for the ninth batch. This allows more patients to access fairly-priced and high-quality medicines in the future.

Key Products in National Reimbursement Drug List	Medical Insurance Payment Standard
Tobramycin Inhalation Solution (“健可妥®”): As a modified innovative medicine developed independently by Joincare, 健可妥® is the only approved inhalation formulation in the world for the treatment of bronchiectasis accompanied with pseudomonas aeruginosa infection. It was approved for marketing in October 2022, breaking the dilemma that no atomised antibiotics are available for patients with bronchiectasis in China. As a key item under the National Key New Drug Creation Programme, 健可妥® offers the benefits of low-dose local administration, high concentration, non-ototoxicity and non-nephrotoxicity, and low medicine resistance. It is safer for both childhood and elderly patients and represents a significant breakthrough in the field of respiratory system diseases.	RMB 253.60 (5ml:300mg/piece)
Ilaprazole Sodium for Injection (“壹丽安®”): 壹丽安®, a patented new drug of Joincare’s holding subsidiary Livzon Group, was incorporated into the NRDL in 2019. This year, 壹丽安® was once again included in the NRDL as a drug used for patients with peptic ulcer, and it also received approval for a new indication "prevention of severe stress-induced ulcer bleeding". The medical insurance payment for this drug was reduced from RMB 71/piece to RMB 63/piece, which expands the application range of the product, meets clinical needs, and further alleviates the economic burden on patients.	RMB 63.00 (10mg/piece)
Triptorelin Acetate Microspheres for Injection (“维宝宁®”): It is a modified new drug developed by Livzon Microsphere, a subsidiary of Joincare and was approved for marketing in May 2023. It is indicated for the treatment of locally advanced or metastatic prostate cancer. Compared with the Triptorelin Acetate Injection, 维宝宁® offers significant advantages such as a longer duration of action and fewer doses required. The medical insurance payment is RMB 1,000 per bottle, representing a price reduction of approximately 20% compared to the imported formulations already on the market.	RMB 1,000.00 (3.75mg/bottle)

Products Selected in the 8th Batch of Volume-based Procurement	Price
Voriconazole for Injection (“丽福康®”): As a product of Joincare’s holding subsidiary Livzon Group, it is a broad-spectrum triazole antifungal medicine used to treat progressive and life-threatening fungal infections. It can also be used to prevent invasive fungal infections in high-risk patients undergoing allogeneic hematopoietic stem cell transplantation. In recent years, Voriconazole has become the preferred treatment for invasive fungal infections due to its broad-spectrum antifungal action and positive effects.	RMB 291.90 (0.2g*10 bottles/ box)
Cefodizime Sodium for Injection (“康丽能®”): 康丽能® is a product of Joincare’s holding subsidiary Livzon Group. It is a third-generation broad-spectrum cephalosporins and passed the consistency evaluation in July 2022. This medicine possesses broad-spectrum antifungal actions to treat infections caused by sensitive organism, including upper and lower urinary tract infections, lower respiratory tract infections, and gonorrhea.	RMB 28.90 (0.5g*10 bottles/ box)
Products Selected in the 9th Batch of Volume-based Procurement	Price
Levosalmamol Hydrochloride Nebuliser Solution (“丽舒同®”): As a key product of Joincare, it was a typical complex formulation and entered the Announcement on Application for Registration of Drugs to be Included in the Priority Review Procedure (29th Batch) because of the advantages for priority review, such as “Major Special Project” and “Children’s Drugs” in 2018. In 2019, it was approved for marketing as the first new class-III levosalmamol formulation in China and included in the NRDL in 2020. It can reduce the risk of adverse reactions such as tachycardia and hypokalemia compared with salbutamol, a commonly used first aid for asthma and chronic obstructive pulmonary disease (COPD), and can greatly improve patients’ pulmonary function, thereby lowering the risks of them having to be hospitalised and re-hospitalised, or shortening hospital stays. Therefore, this medicine is a safe and more effective treatment option for patients.	RMB 1.65 (3ml: 0.63mg/piece)

Overseas Market

When entering overseas markets, Joincare comprehensively considers the local economy, healthcare level, and price benchmarking to offer equitable pricing in line with the current regional development, avoiding an increase in the financial burden of patients. After an adequate assessment of local per capita income and analysis of local patients' affordability, differential and tiered pricing strategies are implemented for different markets. Joincare also positively goes for the bidding of local governments during product promotion in developing countries overseas so that affordable medicines and services would be offered locally. By the end of the reporting period, the Group and its subsidiaries had adopted equitable pricing policies for 27 products in South Asia, Southeastern Asia, South America and Africa to match the local income level.

Taking into account the affordability, Joincare’s holding subsidiary Livzon Group also adopts equitable pricing policies, in a bid to promote pricing transparency in both developed and emerging markets. For formulations, Livzon Group strictly adheres to the local government's pharmaceutical pricing policies in developing countries. The generic drugs are usually priced at 60-70% of the price of the original drugs. For APIs, Livzon Group reduces intermediary channels by selling APIs directly to the end formulation factories. This approach enables accurate knowledge of the purchasing prices of end customers, thereby enhancing pricing transparency and reducing local pharmaceutical supply costs.

Table: Livzon Group's pricing policies and implementation

Business	Pricing policies	Pricing
APIs	•Considering higher drug costs covered by patients in emerging markets/developing countries, Livzon Group provides these markets with high-quality APIs and intermediates at prices lower than those in developed countries, aiming to reduce drug costs for patients in the target countries. •When promoting products in emerging markets/developing countries, Livzon Group sets prices in alignment with the local living and medical levels. •Livzon Group also upholds equitable pricing at home. Livzon Group signs an annual supply agreement with domestic strategic partners, and provides concessions based on the purchase volume.	•Livzon Group has established the commercial cooperation with over 50 customers in India for the supply of 20 APIs and intermediates. The pricing for intermediates is about 5%-10% lower than that in developed countries, and the pricing for APIs is about 15%-30% lower than that in developed countries. •Some high-end antibiotics (such as Vancomycin Hydrochloride, Teicoplanin and Dattomycin) are in great demand in emerging markets and developing countries. The average selling price for such products in developing countries from South America, Southeast Asia, and Africa is about 10%-15% lower than that in developed countries. •The average selling price of some veterinary drugs (such as Doramectin and Moxidectin) in major South American countries (such as Colombia, Brazil, Uruguay and Argentina) and some Asian countries (such as Pakistan and Vietnam) is about 15%-20% lower than that in developed countries.
Formulations	•By supplying chemical generic drugs or biosimilar drugs, Livzon Group sells formulations with lower prices and similar efficacy to the Asian, African and Latin American markets. •In emerging markets/developing countries, Livzon Group adopts a suitable pricing structure to formulate reasonable price based on local development level. •In underdeveloped and low-income countries, Livzon Group exempts licensing fees.	•For Recombinant Human Choriogonadotropin alfa for Injection, Livzon Group waives licensing fees for its partners in 4 countries in West Africa, South Asia and Southeast Asia. •For Ilaprazole Sodium for Injection, a patented new drug, Livzon Group waives licensing fees for its partners in 2 countries in Southeast Asia and 1 country in Africa. •For Recombinant Human Choriogonadotropin alfa for Injection, Ilaprazole Sodium for Injection, and Urofollitropin for Injection, Livzon Group reduces the minimum purchase requirements for partners in developing countries.
Reagents	•By probing the final selling price of reagents, Livzon Group prohibits distributors by relying on franchise to limits their mark-up on the final selling price. •In underdeveloped and low-income countries, Livzon Group provides more favourable prices.	•Livzon Group approaches multiple transport service providers for the optimum freight quotation, in a bid to provide customers with cost-effective delivery.

6.5 Improving Healthcare

In recent years, the global population has been increasing, leading to a growing demand for medical services. The issues of uneven distribution of medical resources and imbalanced development of medical technology have become increasingly prominent. As a result, many patients in developing countries still lack access to timely, effective, and affordable healthcare. Joincare adheres to the corporate mission of "For the health, For the future," and fully leverages our own strengths to continuously popularise knowledge of chronic diseases and eliminate the indiscriminate use of antibiotics. We also actively involve in capacity advancement initiatives in developing countries and contribute to global health development.

6.5.1 Popularising Knowledge of Chronic Disease

Respiratory disease is China's third most common chronic disease after cardiovascular disease and diabetes, with more than 160 million patients suffering from asthma, chronic obstructive pulmonary disease (COPD) and bronchiectasis. Recently, the incidence of asthma, COPD and other respiratory diseases in China have kept rising. According to the statistics, China has nearly 45.7 million adult and 15 million childhood patients with asthma and 100 million patients with COPD. However, the awareness rate of COPD is way below the target set by the Healthy China initiative 2019-2030. To increase public awareness of chronic respiratory diseases, with measures such as organising online live-broadcasting via new media, publishing academic papers, supporting academic research, and holding and participating in offline academic promotion activities, Joincare endeavours in many ways to educate the public about asthma, COPD and other chronic respiratory diseases and encourages people potentially suffering from these diseases to take regular pulmonary function tests, to help prevent and treat chronic respiratory diseases.

Case



“Respiratory Experts’ Views” public welfare activities series

Joincare focuses on respiratory diseases. We build a popular science new media platform matrix called “Respiratory Experts’ Views”. Through new media channels such as WeChat official account, Douyin, and Weibo, we promote knowledge on chronic respiratory disease and give treatment support.

- During the “World Asthma Day” 2023 activities, the “Respiratory Experts’ Views” platform continued its “A small red envelope for you” activity, collaborating with 436 grade-A tertiary hospitals nationwide to conduct public education activities on asthma. Additionally, it launched a week-long series of live broadcasts focusing on asthma knowledge. With a close focus on the “World Asthma Day” theme of “Asthma Care for All”, we partnered with asthma experts to spread knowledge of asthma prevention and treatment to the public, aiming to promote a correct understanding of asthma and effective disease management.

- In recent years, the incidence and prevalence of bronchiectasis have increased in the world, with poor patient compliance leading to significant burdens on the society and families. To raise global awareness of bronchiectasis, 1 July 2022 was designated as the first “World Bronchiectasis Day”. During the second “World Bronchiectasis Day” in 2023, the “Respiratory Experts’ Views” platform collaborated with the China Bronchiectasis Registry and Research Collaboration (BE-China) to launch a public welfare and educational campaign on bronchiectasis. Through online and offline approaches, it aimed to encourage patients to effectively manage the disease, thereby improving their quality of life.

- During the “World COPD Day” activity in 2023, the “Respiratory Experts’ Views” platform joined forces with 329 grade-A tertiary hospitals nationwide to conduct public welfare educational activities for COPD. Additionally, it collaborated with local media to promote and expand coverage of the campaign, calling on the public to keep a healthy lung and promote early prevention and effective intervention for better treatment effect.

By the end of the reporting period, the “Respiratory Experts’ Views” platform had assembled over 5,000 respiratory experts, hosted over 500 educational live broadcasts on respiratory diseases, with over 1,000 experts participating and over 25 million views, and attracted over 5 million followers.

6.5.2 Addressing Antibiotic Resistance

The Group acknowledged that antibiotic resistance has become a global public health risk theme, threatening human health. In strict accordance with the Management Policy for Clinical Use of Antimicrobial Medicines, Joincare greatly emphasises the clinical use of antibiotics and strengthens the management of its anti-infection product portfolio, including Meropenem for Injection, Voriconazole for Injection and Cefodizime Sodium for Injection. Based on the classification of antibiotics for clinical use, we actively cooperate with medical institutions to handle antibiotic abuse, enforce the principles of “non-limited use”, “limited use”, and “special use”, and promote the management of physicians’ prescription rights and control of medicine-resistance bacteria. Training lessons and lectures on optimising medicine-resistance bacteria treatment schemes are given to improve the clinical efficacy of antibiotics and effectively prevent misuse.

In terms of R&D to address antibiotic resistance, the Group focuses on the resistance risk of Tobramycin Inhalation Solution and drug resistance of *Pseudomonas aeruginosa* (PA). PA infection is difficult to control in the acute stage and difficult to clear in the stable stage. The drug resistance rates of commonly used anti-PA drugs (e.g., fluoroquinolones, carbapenems, penicillins) are more than 10%. In contrast, the resistance index of Tobramycin Inhalation Solution in phase III clinical trial showed a low risk of resistance. In two clinical studies, treatment with Tobramycin Inhalation Solution for 6 months had little effect on the susceptibility of most PA strains tested, effectively reducing the incidence of antibiotic resistance. Also, Joincare’s holding subsidiary Livzon Group keeps on conducting R&D to address drug resistance of Gram-Negative Bacteria and Fungi and works with stakeholders to develop solutions to antibiotic resistance.

Moreover, Joincare takes an active part in a number of academic conferences and has in-depth exchanges with clinical experts in infection, respiratory, blood, ICU, organ transplantation, skin, obstetrics, and gynaecology and scholars engaged in basic research of microbiology. Through these efforts, we aim to promote development and innovation in the field of medicine to ensure that all people can live a healthy life.

Case



Study on the efficacy and safety of Tobramycin Inhalation Solution

Bronchiectasis, one of common chronic respiratory diseases in China, can be aggravated by PA. The frequent and acute attack of bronchiectasis due to the bacterium will increase the risk of hospitalisation. For initially isolated PA, approximately 50% of patients can achieve continuous negative sputum culture within one year through eradication therapy based on inhaled antibiotics. However, once PA becomes chronically colonised, the eradication becomes a challenge. Timely and standardised eradication therapy may improve the prognosis of patients with initial or new PA infections, but there is limited high-level evidence to support this. Therefore, it is considered in the industry that eradication therapy for initial or new PA infections has become the primary focus of current research in bronchiectasis.

Before the introduction of 健可妥® to the market, bronchiectasis patients in China had not undergone long-term inhaled antimicrobial therapy, making them an ideal population to explore the efficacy and safety of eradication therapy. Therefore, Professor Xu Jinfu from the Shanghai Pulmonary Hospital affiliated to Tongji University initiated a study titled “The Efficacy and Safety of Inhaled Tobramycin Solution for Eradicating *Pseudomonas Aeruginosa* in Adult Bronchiectasis Patients” with the support of BE-China. Sponsored by Joincare, this research is currently recruiting participants. The research aims to explore the superior efficacy of Tobramycin Inhalation Solution, either alone or in combination with Ciprofloxacin Hydrochloride Tablets, compared with inhalation of physiological saline, in eradicating PA for early-stage infected adult patients. The primary efficacy indicator of the research is the proportion of subjects with continuous negative PA sputum culture following the initiation of treatment (negative sputum culture at weeks 24 and 36). Secondary efficacy indicators include patient acute exacerbations, lung function, hospitalisations, and quality of life. Safety indicators include the incidence of adverse events and the proportion of subjects developing resistance to Tobramycin and Ciprofloxacin Hydrochloride after enrolment.

Case



Livzon Group's study on tackling antimicrobial drug resistance

Study on Drug Resistance of Gram-Negative Bacteria (GNB)

At present, GNB is highly resistant to antibiotics. According to the study, all top five clinical strain infections in China are GNB infections. Polymyxin, one of the most important drugs in the treatment of multidrug-resistant (MDR) GNB infections, is effective against various GNB including *Escherichia coli* thanks to its low resistance rate and strong antibacterial activity. It is called the last line of defence for MDR GNB infections, against which antibiotics such as β -lactams, aminoglycosides and quinolones are ineffective.

The Livzon Group is developing polymyxin products. Our API, polymyxin E sodium methanesulfonate, has obtained the European CEP and passed the FDA review. It is under the domestic application for marketing and the review of registration at present. In addition, Livzon Group is working out the formula of polymyxin preparations to facilitate the marketing.

Study on Drug Resistance of Fungi

In recent years, as more people are infected with immunodeficiency virus or undergo tumour chemotherapy, invasive fungal infections has gradually increased. At present, three main types of antifungal drugs are available on the market: polyene, azole and echinocandin. After years of clinical use, high level of antifungal resistance is shown, severely limiting treatment options.

Livzon Group is developing a new class 1 drug with a brand-new mechanism of action and targets - fungi-specific enzymes. The targets have low homology with human body, leading to good safety potential. The new mechanism of action is expected to tackle antifungal resistance. By the end of the reporting period, Livzon Group had confirmed the lead compounds which are under optimisation.

6.5.3 Involvement in Capacity Advancement Initiatives

Joincare is deeply committed to the development of healthcare in developing countries. In line with our international strategies, we are actively involved in capacity advancement initiatives for healthcare in developing countries and work closely with local partners to collectively improving the quality and capacity of health services in those regions.

Training of local healthcare workers

While expanding our formulation business in developing countries, the Group actively provides training for local healthcare workers to improve local medical service standards. While we exported Meropenem for Injection to developing countries such as the Philippines, Ukraine, Vietnam, Pakistan, Peru, and Chile, we provided registration and promotion training for local contacts and assisted our partners in conducting product usage and related training for local healthcare workers. In addition, Joincare's holding subsidiary Livzon Group is conducting training for the healthcare workers and key researchers of the overseas Phase III clinical trials of 丽康® in the Philippines, Pakistan, Malaysia and other countries, covering the relevant regulations of vaccine registration, remote verification process, verification points and experience sharing, etc., to help local healthcare workers standardise clinical research operations according to the GCP guideline. Also, Livzon Group is actively engaged in overseas academic promotion and training activities. Livzon Group provides detailed product usage instructions and shares clinical experience with healthcare workers in developing countries, so as to ensure the safe and effective use of our products for local patients.

Case

Livzon Group provides academic promotion regarding innovative medicines for healthcare workers in Indonesia

Since the launch of the innovative medicine Ilaprazole Sodium for Injection in Indonesia in 2023, Livzon Group has collaborated with local partners to conduct a total of 8 academic promotion activities in Indonesia. This includes organising 4 large-scale professional academic seminars held by the Indonesian Society of Internal Medicine and Indonesian Society of Gastroenterology. On 11 November 2023, Livzon Group and its Indonesian partners participated in the annual conference of internal medicine held in Bali, Indonesia. The conference attracted approximately 300 experts from various regions of Indonesia. During the conference, Livzon Group and its partners invited a prominent gastrointestinal disease expert in Indonesia to present the clinical advantages of Ilaprazole for Injection as a new generation PPI in the treatment of gastrointestinal bleeding. The expert also elaborated on the product usage and precautions, which received positive and favourable feedback from other experts in Indonesia. In the product promotion phase, local Indonesian experts will lead in-depth training for healthcare workers at local hospitals.

Livzon Group provides academic training for healthcare workers in Uzbekistan

Livzon Group launched its assisted reproductive products, Urofollitropin for Injection and Menotropins for Injection, in Uzbekistan in 2022 and were academically promoted at the local reproductive conference. This year, Livzon Group invited Chinese doctors with rich clinical experience and local experts in the field of reproductive medicine in Uzbekistan to engage in online academic communication with 8 doctors from 3 leading reproductive centres invited by local partners. The purpose was to exchange and share the usage, efficacy, and clinical experience of Livzon Group's reproductive products, providing academic support for the safe and effective use of the products.

Assistance to local manufacturers to boost their capacity and competency

As an APIs supplier, Joincare, together with its holding subsidiary Livzon Pharmaceutical Group, shares its research results with less developed countries and regions overseas and proceeds technology transfer. We improve production ability of local formulation manufacturers to ensure that they can match applicable international drug manufacturing standards. In addition, Livzon Group helps local pharmaceutical enterprises to improve and optimise production procedures and quality control routine by providing technology transfer and analysis and detection scheme. Therefore, the level of local production technology is increased.

Case

Joincare facilitates process optimisation for API manufacturers in India

The Indian market stands as one of the largest global market for cephalosporins, and Joincare is the primary supplier of the starting materials 7-ACA and D-7ACA for cephalosporin APIs in the Indian market. 7-ACA was previously used extensively as an intermediate for cephalosporin APIs in the Indian market. Since 2013, Joincare has conducted multiple regular visits each year and actively promoted the conversion of the starting materials for Cefuroxime Axetil and Cefpodoxime Proxetil APIs from 7-ACA to D-7ACA for the cephalosporin API manufacturers in India. This initiative has not only reduced the production processes and periods for cephalosporin API manufacturers in India, but also reduced quality control risks and lowered production costs. At present, the demand for D-7ACA in the Indian market significantly exceeds that of 7-ACA. The reduction in product costs has benefited the entire Indian market and decreased medicine costs for local patients.

Livzon Group offers free transfer of impurity detection method to producers from developing countries

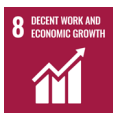
Any materials that effect drug purity are called impurity. The research on impurity is an important part in drug R&D. The control of impurities in drugs relate directly to the controllability and safety of drug quality. By relying on its ability of R&D and quality analysis, Livzon Group developed its own impurity detection method, and it gives the method to generic drug pharmaceutical enterprises who lack of technology in new emerging markets and developing countries for free. Providing impurity standard breaks barriers of impurity control and unique techniques for detection set by European and American suppliers or original drug developers. In 2023, Livzon Group independently developed an impurity detection method for Daptomycin and supported customers in utilising and registering the product in certain markets, ensuring the smooth commercialisation of the product.



07

Talent Management

SDGs in this section



Sticking to the value proposition of “Putting people first”, Joincare always regards people as the core driver of sustainable development. We always insist on developing employer branding by constantly optimising quality and level of human resource management. We attract and gather talents with an equal and inclusive attitude, and we respect their legitimate interest. With compliant employment, multilevel training, and comprehensive compensation and welfare, we provide a wide and fair career development path for employees to stimulate organisational vitality constantly. We pay great attention to the occupational health and wellbeing of our employees by optimising the working environment and office facilities to continuously improve their sense of happiness and belonging. Therefore, we grow together with our employees.

7.1 Protection of Rights and Interests of Employees

The Group always regards high-quality talents as the core strength for corporate development. Committed to safeguarding the legitimate rights and interests of employees, we improve the employment management and eliminate any form of prejudice, discrimination or harassment to create an inclusive workplace with diversity and equity. By the end of the reporting period, Joincare has 14,365 employees in total.

7.1.1 Employment Compliance

Complying with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Provisions on the Prohibition of Child Labour and other laws and regulations, Joincare has formulated the Code of Labor Employment and Ethical Conduct (the “Code of Employment” or the “Code”). The Code of Employment has specified the employment management covering all employees (including full-time, part-time and temporary employees) of the Group and its subsidiaries, as well as all suppliers, contractors, service providers, customers and other partners in collaboration with the Group. Sticking to zero tolerance for any form of discrimination, we have defined escalation process for reporting incidents as well as disciplinary and corrective actions in case of discriminatory behaviour or harassment in the Code of Employment (see Article 8-10 summarised below). During the year, there were no discrimination or harassment incidents at Joincare.

In addition, we keep improving policies such as the Human Resources Management Regulations, the Training Management System, the Attendance Management System, and the Employee Handbook. We sign contracts with employees under the principle of free will to specify their rights and obligations.



The Code of Employment of Joincare is summarised as follows:

1. The Code are applicable to all employees of Joincare, including full-time employees, part-time employees and temporary employees, as well as all clients, suppliers, service providers, contractors and other partners conducting business with Joincare.
2. The Company prohibits the use of child labour. All units are forbidden to recruit and employ minors under the age of sixteen.
3. The Company is against forced labour. No unit shall force employees to labour by means of violence, threats or illegal restrictions on personal freedom.
4. The Company respects our employees' freedom of association. Employees have the right to freely choose to form or join a union. The labour union has the right to bargain with Joincare on an equal footing with Joincare on behalf of employees and enter into collective contracts in accordance with the law.
5. We strive to create a physically and mentally healthy working environment for employees. We guarantee the labour safety and health protection of employees in the workplace in accordance with the requirements of national regulations, and support the continuous improvement of the working environment. All employees are responsible for reporting potential unsafe factors in the workplace.
6. We value the development and improvement of our employees' talents. When deciding on labour affairs such as compensation, benefits, training opportunities, promotion, demotion, assignment, transfer, development, tuition assistance or retirement, we will make decisions based on their capabilities, performance and work requirements, without being influenced by factors such as age, ethnicity, race, family status, ethnic background, skin colour, gender, sexual orientation, religious belief, social origin, nationality, disability, pregnancy, etc., and strive to eliminate all forms of bias and discrimination.
7. We strictly prohibit any form of harassment in the workplace, including sexual harassment and other non-sexual harassment against the will of others by means of oral language, written texts, images, physical behaviour, etc. We encourage employees who are victims of harassment to immediately report the situation to their superiors or the human resource department for the Company to investigate. We will investigate such reports confidentially as promptly as possible. Once the investigation is sufficient to substantiate relevant allegations, we will take appropriate corrective actions.
8. We have incorporated the principles and concepts of diversity, anti-discrimination, non-prejudice and anti-harassment into our employee training, and require all employees of Joincare to participate in such training and deeply understand the above principles and provisions of related rules.
9. We give our best effort to identify behaviours that do not comply with the provisions of the Code, and commit to make every effort to prevent such behaviours from occurring. To this end, we encourage Relevant Persons to report violations of the Code to their superiors or the human resource department as promptly as possible so that the Company can investigate and tackle them to reduce the occurrence of such violations in the future.
10. We will investigate the violations of the Code as promptly as possible and take necessary measures to protect the legitimate rights and interests of Relevant Persons who report and complain in good faith; those who deliberately fabricate facts and make false charges or frame-ups under the pretext of reporting or complaining will be dealt with seriously in accordance with relevant regulations, and shall be transferred to judicial organs for handling, if the action constitutes a crime.
11. Once the investigation is sufficient to prove that there is a violation of the Code, we will impose appropriate penalties and take corrective measures, including but not limited to the termination of labour contracts and commercial contracts. Those whose actions are suspected of constituting a crime shall be transferred to judicial organs for handling.

7.1.2 Human Rights Protection

To better fulfil our commitment to human rights, Joincare has developed and published on the official website the Code of Employment, a company-specific and company-wide human rights policy covering the practices set out in the ILO core conventions and the Universal Declaration of Human Rights of the United Nations. This Code has specified such provisions on protecting human rights as the prohibition on forced and child labour, anti-discrimination, anti-harassment, equal remuneration, freedom of association, the right to collective bargaining, and occupational safety and health (see Article 2-7 summarised above). This Code applies to all employees, including full-time, part-time and temporary employees, as well as all customers, suppliers, service providers, contractors and other partners in collaboration with the Group.

In addition to policy requirements, we have taken a series of actions to mitigate and remediate human rights risks. We strengthen education and training on protecting human rights in our daily work. We strictly review the implementation of human right policies, identify potential risks through due diligence process, and take improvement actions to proactively prevent potential human rights risks. All employees and relevant personnel of the Group can report potential human right risks via the hotline published on the official website. Those in violation of the provisions on protecting human rights will be investigated immediately. We will also take the necessary actions to protect the legitimate rights and interests of the reporter. Once verified, those who violate the Code of Employment will be punished appropriately, including but not limited to the termination of labour contracts and business contracts. Those whose acts are suspected of constituting crimes will be transferred to judiciary authorities for handling.

Case



Livzon Group conducts Human Rights Due Diligence

Joincare's holding subsidiary Livzon Group has established systematic Human Rights Due Diligence Process, including human rights risk identification, annual audit and report, and formulation and implementation of mitigation and remediation actions. Covering its own operations and business-related activities, Livzon Group's Due Diligence includes human right protection terms in the Code of Employment, such as prohibition on forced and child labour, equal remuneration, and anti-discrimination. This year, based on the results of the Due Diligence, Livzon Group's human rights risks mainly arose from working environment, compensation and benefits, and conflict of interests. For each risk identified, Livzon Group developed and taken effective mitigation and remediation actions which have been implemented by its subsidiaries and overseen by its ESG Committee. By the end of the reporting period, one subsidiary under the Livzon Group had implemented mitigation plans.

7.1.3 Diversity and Inclusion

Joincare advocates a diverse, equal and inclusive corporate culture to attract and pool outstanding talents, and encourages employees with different backgrounds to give play to their talents. We have formulated and implemented the Diversity, Equity and Inclusion Policy, specifying that the Social Responsibility Committee of the Board is responsible for reviewing the policy, and overseeing diversity performance and progress for target of the Group. All employees are required to complete the training on the Diversity, Equity and Inclusion Policy and other courses regarding diversity, equity and inclusion to cultivate awareness in these regards and create a diverse and unbiased working environment. In addition, we treat employees equally, and offer rights and benefits in all aspects of human resources management, such as hiring, promotion and compensation, to all employees regardless of their gender, age, ethnicity and nationality. Meanwhile, we keep on improving the management rules regarding diversity in the Compilation of the Human Resources Management System. We also carry out compliance audits on human resources management.

Case

Livzon Group conducts diversity training for employees

In 2023, Livzon Group, Joincare's holding subsidiary, conducted online and offline diversity training for all employees, including the contents and mechanism, identification and impacts, management, as well as exploration and actions in this regard. Through the training, employees were able to understand and respect different cultures, backgrounds and views to eliminate prejudices in life and work. In addition, teamwork and multicultural exchanges were also encouraged to promote the diversity. The employee satisfaction rate of this diversity training reached 93.8%.



Livzon Group's Diversity Training

Based on business development requirements, the Group has set a quantifiable diversity goal of "no less than 49% female employees by 2032". The Group also strengthens the collection, statistics and disclosure of diversity indicators ensure the orderly progress of diversity-related initiatives. By the end of the reporting period, the Group had 6,577 female employees, accounting for 45.8% of the total employees, with female management of 35.4%.

Number of female employees

6,577 people

Share of women in total workforce

45.8%

Share of Women in Management Positions

35.4%

In terms of material benefits to facilitate diversity, in addition to marriage, maternity, breastfeeding and other leaves stipulated by the national law, we provide generous gift packages to female employees during their childbearing period. This year, we provided special care for female employees, that is, customised physical examination services. Through regular physical examination, female employees can keep abreast of their health status in time and take appropriate precautions and treatments for identified health problems. At the same time, we apply for social insurance subsidies for the employees with disabilities to provide more financial support.

7.1.4 Staff Communication

We respect and value the views and suggestions of employees. We continuously improve employee communication channels, regularly listen to their voices through questionnaires, and provide anonymous feedback channels to ensure free expression. We also provide a feedback box to encourage employees to give written comments and suggestions at any time. Meanwhile, through regular seminars and one-on-one talks in daily work, we maintain close communication with employees via internal newsletters and emails to understand their needs and solve specific difficulties in their work and life.

In order to smooth the employee grievance reporting channels, we have established and strictly abide by the Measures for the Management of Complaining and Reporting, and we have built a formal grievance escalation and reporting procedures where grievances can be reported smoothly and confidentially. We urge all employees to timely complain or report the violation of the Code of Employment, labour rights and any dissatisfaction. We strictly keep the confidentiality of the information on complainants as well as the content of complaints and take necessary measures to protect the physical safety and legitimate rights and interests of the complainants. Also, the Company convened a meeting of the Audit Committee of the Board of Directors on 2 April 2024 to deliberate the Joincare Pharmaceutical Industry Group Co., Ltd. Complaining, Reporting and Whistleblower Protection Policy, which was disclosed on the official website at the same time.

Protection Measures for Complainants

The information on whistleblowers and complainants as well as the content of reports and complaints should be strictly confidential. The materials and records of reports should be incorporated into confidential document management. The settled cases should be filed.

Receiving reports and complaints and verifying with relevant personnel, such as whistleblowers and complainants, should be conducted in a confidential way, without the identity of the personnel being disclosed.

Any personal information, including identity and rewards cannot be disclosed without the express consent of whistleblowers and complainants.

In addition, starting from this year, we plan to conduct regular satisfaction surveys for all employees of the Group and its subsidiaries every year. Based on this, we respect and understand advice and feedback from employees in time to improve employees' satisfaction and engagement.

Case



Employee satisfaction survey at Joincare headquarter

In 2023, our headquarter carried out an employee satisfaction survey to assess how employees feel at work and how much they identify with the Company. The metrics covered include organisational support, work-life balance, career development opportunities, diversity and inclusion, the working environment and the like. According to the survey results, 98% of our employees participated in the activity, of which 90% were satisfied. The majority of employees were satisfied with our overall performance and confident in our future development. The problems reported by employees are addressed with proper corrective measures. This helps to further increase employees' engagement and job satisfaction and to create a better working environment and development opportunities for them. We will follow up on the needs and feedback of employees and keep optimising our management strategies, to enhance their sense of belonging.

Case



Livzon Group conducts employee engagement surveys (Gallup system)

Joincare's holding subsidiary Livzon Group conducts employee engagement surveys once every year. In 2023, Livzon Group hired a third-party institution to conduct an employee engagement survey in accordance with the Kincentric model of the Gallup system from 16 dimensions, including organisational support, work-life balance, career development opportunity, diversity and inclusion, performance management, and employer brand. The survey covers employees' job satisfaction (recognition of the company and job responsibilities, and intention of retention, publicity and endeavour), purpose of work (personal work goals and company business goals), happiness (satisfaction with workplace diversity, gender equity, benefits, rewards and recognitions), and stress (reasonableness of work pressure and work-life balance) and other aspects. The survey covered all permanent employees of Livzon Group. The response rate was 98%, and the overall engagement score was 75%.

Labour Union Management

Joincare regards the labour union as an important link between management and employees. To strengthen exchange with employees, Joincare holds regular workers' congresses to maintain close communication with them, involving them in the Group's major decision-making. Meanwhile, we invite professional psychological consultants to deliver courses, helping employees relieve stress and relax themselves. This year, 100% of employees were represented by the independent trade union.



100%

of employees were represented by the independent trade union.

7.2 Improving Talent Management

Joincare highlights talent cultivation. With a formal talent pipeline development strategy, we recruit talents based on scientific forecast of hiring needs. We actively develop new pools of talent to improve profitability and maintain our core competitiveness. We continue to strengthen talent management and open up more channels in talent introduction, striving to retain and make full use of talent with even greater effort. For employees at different levels and in different positions, we developed targeted development programs, training plans and incentive mechanisms, and provide generous salaries and benefits to enhance employees' satisfaction and happiness.

7.2.1 Talent Attraction and Retention

Joincare has been stepping up efforts in talent employment by experienced hire recruiting and campus recruiting. We reinforce our talent pool through channels including online recruitment, internal recommendation, headhunting, and cooperation with governmental agencies. We aim to match the right talents with the right positions and increase our team value, continuing to drive the sustainable talent development. We make progress in creating a multi-level talent reserve and plan to use Feishu for the information management of talent reserve in an orderly way in the next reporting period. Thus, we are able to share the information resources of the talent reserve within the Group. We carry out regular talent review according to our strategic planning and business development trends, identifying the key positions and key employee communities, and setting the stage goals of staffing at each level. Moreover, we focus on the latest talent flow and salary level in the industry, conduct internal and external surveys in various ways, and design suitable recruitment strategies by the principle of maximising cost value. We are committed to boosting talent acquisition and retention with excellent corporate culture and positive humanistic care, providing adequate human resource support for the Group's future development. This year, the Group introduced a total of 3,999 new employees.

Case

Progress of the post-doctoral station planning at Joincare

In 2023, Joincare was approved to establish the Shenzhen Post-doctoral Innovation Practice Base, which aims to strengthen R&D teams and their capabilities, promote the transformation of scientific research achievements, and provide strong support for the development of high-end scientific research talents. By adopting a tutorial system and setting up an incentive system for post-doctoral researchers, the Base deepens the integration of production, education and research, and implements the Group's technological innovation-driven strategy to further elevate the Group's core competitiveness.



Post-doctoral Innovation Practice Base

University-Enterprise Cooperation

Joincare has been investing effort for many years in the integration of production, education and research with key domestic universities, colleges, and vocational schools, signing traineeship agreements with undergraduate and junior college students in the pharmaceutical field, providing customised traineeship platforms, and offering employment opportunities for outstanding interns. This year, we have partnered and signed traineeship agreements with educational institutions including China Pharmaceutical University, Shenzhen University, Hunan Traditional Chinese Medical College, Qiannan Medical College for Nationalities, Guangxi Vocational University of Agriculture. We carried out traineeship programme through apprenticeship, alternating work and study, etc. and provided our interns with satisfactory salary and benefits, meal subsidies, accommodation, medical examination, and more. For fresh graduates who excelled in the production-education integration or traineeship period, we offer them the priority to become permanent employees at Joincare. This year, we newly introduced 150 interns, 20 of which had been hired as permanent employees.

New employees

3,999 people

New interns

150 people

Case



Joint graduate training programme of Joincare and East China University of Science and Technology

Joincare and East China University of Science and Technology (ECUST) launched a joint graduate training programme. Under the programme, experts from ECUST provide the graduates with comprehensive guidance and training on research project selection, dissertation proposal writing, research structure design, test programme design, data analysis, report writing, and the like. We provide the graduates with free accommodation, transport subsidies for their family visits in the summer and winter, and many other benefits. This frees them from money worries so they can concentrate on studies and work. We continue to cooperate with institutions of higher learning in training and reserving strategic technological talents, which provides a strong support for technological innovation and solving key and core technological issues.

Talent Retention

To reduce employee turnover and maintain workforce stability, we provide employees with diversified career development opportunities, including training, promotion, job transfer, etc. in a comfortable, safe, and healthy working environment. We strive to balance work and life, organise stress-relief activities, and provide psychological consultation, creating an upbeat and healthy atmosphere at Joincare. We also continue our efforts in optimising employee benefits and welfare to retain excellent talents by establishing a long-term incentive mechanism. We carry out regular talks with employees to listen to their voices, such as their turnover intention. Through one-to-one interviews with outgoing employees, we know their reasons for leaving, which helps us to improve our talent retention plans. Furthermore, we conduct a statistic analysis on data of employee turnover rate and formulate specific improvement measures. This year, the Group's turnover rate was 12% (2022: 12%)².

Over the past three years, no major lay-offs or any mergers or acquisitions affecting employees occurred in Joincare.



The Group's turnover rate

12%

² In order to better demonstrate the Group's human resource management and ensure the consistency of the calculation of internal management and external disclosure, the calculation of the turnover rate in 2023 directly adopted the methodology used by the Group's human resources management, i.e. the number of employee resigned was equal to the number of permanent employees who voluntarily resign. Due to the different calculation method of the overall employee turnover rate in 2021 and 2022, we made retrospective adjustments to the 2021 and 2022 turnover rate in the current year, so that the employee turnover rate from 2021 to 2023 would be calculated on the same basis, to ensure that the data are continuous and comparable.

7.2.2 Training and Development

Joincare attaches great importance to internal talent development. The Group continuously builds a comprehensive and diversified training system, and constantly improves training resources by using online and offline learning channels and designing training content tailored for different levels and positions. We conduct regular surveys and analysis on training demand, and speed up the course update frequency. This ensures that course content is synchronised with our business changes and technology updates, and meet the needs of employees' skill development. With the help of an online learning platform, our employees are able to learn anytime and anywhere.

By the end of the reporting period, we had provided 975,834 hours of training to all employees, with 67.9 hours of training per employee.

On-boarding Training

We attach great importance to new employee training, and custom-design a 6-month "follow-up plan" for fresh graduates and new employees, establishing a training framework for fresh graduates covering three-stage career development: On-boarding, Growth and Success. Each new employee is assigned a mentor, and using centralised training courses, practical exercises, summary sharing, and more, we convey the corporate culture, rules and regulations, professional skills, etc. to the new employees, helping them quickly adapt to the working environment, and familiarise themselves with the job content and working process. During the plan, we track and evaluate the training and work performance of new employees each month, timely understand the feedback from departments and employees, and grant incentives such as early access to becoming regular employees and pay rise to outstanding employees. We also continue to follow employees' development after the probationary period, and provide them with career planning suggestions clarifying their career goals.

Meanwhile, we cooperate with higher education institutions such as Hunan Traditional Chinese Medical College and Xixiang University to deliver joint training programmes for employees. Both parties will provide a joint instructor team, share teaching resources, and co-implement academic assessment and evaluation, providing students with traineeship positions, and carrying out theoretical and practical training on drug production, quality control, sterile operation, safe production, machine operation, etc.

Case



"Dream & Future" Campus Recruitment Training Camp

To help fresh graduates quickly understand Joincare's culture, policies, and development paths, and help them take the first step toward society, we design specific training programmes for them. In July 2023, Joincare launched the five-day "Dream & Future" training program for campus recruitment. The training was held by the Group's HR Department, together with Guangzhou Joincare, Haibin Pharma and Taitai Pharmaceutical. It aims to facilitate fresh graduates' shift from campus to workplace, help them get familiar with the corporate culture and core values, and increase their sense of belonging through activities including massages from executives, team building, intensive course training, and outdoor exercises. In 2023, we organised the training programme engaging a total of 37 fresh graduates with 1,480 training hours.



"Dream & Future" Fresh Graduates Training

Job-specific Development Training

We seek a variety of external training resources and tailor job-specific development training programmes for our employees according to the characteristics and business needs of different positions. For special operations positions, we organise learning of relevant regulations, safe operation procedures, and technical requirements and carry out qualification training, ensuring that employees have the required certificates. For R&D positions, we offer enhancement training courses on project management, experimental skills, literature sourcing, innovative thinking, and other abilities. For production positions, we carry out practical training on safe production, equipment operation, environmental awareness, quality awareness and other knowledge. For sales positions, we provide enhancement courses on product knowledge, marketing compliance, sales skills enhancement, and other abilities. For quality management positions, we conduct practical training on quality knowledge, quality awareness, regulations and policies, operational skills, and more.

Case



Development training for production and quality positions

We put a high value on the development of skilled talents. For production, quality, and other positions, we implement an apprenticeship system. Following the principle of selecting mentors of “excellent ability, similar position, and interconnected work”, we ensure perfect master-apprentice match and effective instruction. The mentors are responsible for guiding the apprentices in product quality assurance (QA), quality control (QC), front-line production operation and other positions to acquire the skills and abilities required for their respective jobs. The Human Resources Department organises mentorship discussion sessions to learn the teaching and learning performance between all mentors and apprentices.

Promotion and Job Transfer Mechanisms

We value the career planning of our employees and are committed to providing them with fair career opportunities. We have established a dual-promotion mechanism (“Professional” and “Management”) to help employees choose the appropriate career path according to their own interests and capabilities. In terms of promotion, we adopt the combined “progressive promotion” and “exceptional promotion” approach for employees with outstanding performance or special expertise. This approach stimulates the enthusiasm and creativity of our employees and provides a strong talent reserve for the Group’s long-term development.

We fully appreciate the value created by employees in different positions and encourage continuous self-improvement via learning. We provide equal career opportunities for our employees. To encourage employees’ career diversification, we regularly publish internal recruitment information. Employees can participate in internal recruitment based on their own career development plans and professional skills. Employees who meet the job requirements and pass the interview can continue to contribute to the Group after the formal job transfer. At the same time, we provide relevant training resources for our employees to help them adapt well to their new positions. Furthermore, employees or departments in need may also initiate internal applications of job transfer if necessary.

Succession Planning and Leadership Development

We continue to implement succession plans for talents, comprehensively evaluate the performance, potential, and career aspirations of key position employees, and accurately identify potential successors based on the evaluation results. To help successors improve their capabilities for the job, we carefully design individual development plans and organise management training sessions and other relevant programmes. At the same time, we regularly monitor the implementation of succession plans for talents and make adjustments to the personal development of potential successors according to the actual needs, securing the best career opportunities for potential successors. This year, we continued to implement the talent succession plans, provide promotion and salary increase opportunities for employees who excelled in professional skills, comprehensive capabilities and other aspects, relentlessly consolidating our talent cultivation.

To improve the management ability and comprehensive quality of the management, we regularly carry out managerial development training with internal and external lecturers, covering leadership development, team building, communication skills, decision making, and other aspects. During the training sessions, the management learned from actual cases of the Group or other enterprises, understood all kinds of problems and challenges in practice and explored solutions, thereby improving their management and leadership abilities.

Case



Management training programme of Taitai Pharmaceutical

In 2023, Taitai Pharmaceutical, a subsidiary of Joincare, organised 50 training sessions of managerial development and quality assurance for its management. The company combines learning and training with work practice, industry development trends, and personal growth through case sharing, group discussions, interactive communication, and other training methods to improve the pertinence and effectiveness of training. At the same time, it further enhances the theoretical literacy, business and management skills of the management in industry development, and enhances team collaboration and communication skills.



Management training of Taitai Pharmaceutical

Support for Degree Programmes and Certifications

We encourage continuing education and support all employees (including part-time and contractors) to obtain academic degree or professional certifications and participate in skill training and industry forum meetings. Through projects such as career-based study for a master's or doctor's degree, we help employees upgrade their educational backgrounds. We also assist our employees in application for specific qualifications or national professional title certificates related to their positions, and implement internal measures such as tuition reimbursement, exam leave, and study leave. We offer full support for employees who participate in external training and obtain professional certifications related to their positions.

Moreover, we actively assist employees in applying for local qualifications for high-level talents, craftsmen, industrial innovation and development talents, and innovation teams based on local talent policies.

Case

Support for degree programmes and certifications at Livzon Group

Joincare's holding subsidiary Livzon Group formulated and issued the Administrative Regulations on Employee Learning and Growth, providing all employees with 3 major categories (degree, professional title and vocational qualification) of academic degree and certification improvement programmes, as well as training materials for each business segment, to support employees in application for programmes that fit their own needs of self-improvement. At the same time, Livzon Group seeks external cooperation with higher education institutions and encourages employees to improve their academic degrees and certifications through self-study exams, correspondence courses, full-time or part-time training, distance education, and on-the-job postgraduate studies. The degrees and certifications obtained by employees are taken into consideration for their promotion and pay rise, mobilising their enthusiasm for participation. In 2023, a total of 41 employees of Livzon Group attained higher education qualifications, and 1,350 employees obtained skills or professional title certificates.

The support programme for skill certificates at Jiaozuo Joincare

In 2023, Jiaozuo Joincare was successfully qualified to independently carry out professional skill certification. The company organised professional skill certification exams for technicians as per national standards based on their production needs and the characteristics of technical positions. A total of 162 qualified employees (including electricians, instrument technicians, fitters, etc.) were granted senior, intermediate, and elementary certificates, which fuelled high-skilled talent reserve of the company and reinforced the foundation of talent development.

7.2.3 Compensation and Employee Benefits

Joincare has developed and followed internal policies such as the Salary Management System and the Performance Management System in strict accordance with laws and regulations. In doing so, Joincare aims to build a fair and competitive welfare system by adopting an effective salary strategy that affects motivation. The Group upholds the salary management philosophy of “ensuring the consistency between responsibility and benefit, the consistency between ability and value, and the consistency between performance and earnings”. We have established a compensation mechanism that is consisted of fixed and variable components for all employees (including non-officer and non-sales employees). The variable compensation is subject to both the Group's performance and employees' performance. We believe this mechanism can make employees highly motivated.

Performance Appraisals and Feedback Process

Advocating fairness, justice, and transparency in performance management, we have established a clear performance evaluation and feedback mechanism. We continue to implement a dual-track management system of OKR (Objectives and Key Results) and KPI (Key Performance Indicators), and use or draw on various evaluation methods such as management by objectives, 360 degree feedback, team-based performance appraisal, agile conversations, etc. We carry out performance evaluations twice a year for all employees, to assess the overall performance of employees at all levels

comprehensively and objectively. Performance appraisals includes department-based and employee-based evaluations. The former focuses on major tasks, lean management, team building, etc., while the latter focuses on individual performance, code of conduct, work improvements, etc. A weight is also given to the feedback and guidance that the management provide to employees. After the performance evaluation, department supervisors will listen to employees' voices in performance talks, suggest on improvements, and jointly formulate next-round performance goals and improvement plans.

To further improve the overall management of the Group, optimise team performance management, and promote sustainable development, we have integrated sustainability indicators into employee performance evaluation, which represent compliance of employee code of conduct, employee compliance, occupational health and safety, environmental protection, labour risk management, etc. These are also linked to employee salary.

Long-term Incentive Mechanisms

To further improve the Group's long-term incentive mechanisms and fully motivate core employees, Joincare has formulated various long-term incentive plans for directors, senior management, middle management and core technicians. The interests of shareholders, the Group and core team members are thus united, helping motivate the initiative and creativity of core employees and build a working environment with shared responsibilities and values. Since the end of 2014, we have successively launched the 2015 restricted share incentive scheme and 2018 share options incentive scheme to improve the long-term incentive mechanisms for employees. Up to now, the 2015 restricted share incentive scheme was completed in 2019, and the 2018 share options incentive scheme was completed in 2022.

The progress of our two existing Employee Share Ownership Plan/Share Options Incentive Scheme in 2023 is shown as follows:

- We developed the Medium to Long-term Business Partner Share Ownership Scheme (Draft) at the end of 2019. The plan benefits senior management and core personnel engaged in R&D, production, sales, and management with outstanding performance during assessment or significant impacts on the future performance. The validity period of the plan is from 2019 to 2028. The First, Second and Third Phase Ownership Schemes were approved on the General Meeting in June 2021, May 2022 and October 2023 respectively.
- The Third Phase of Ownership Schemes accumulated 9,370,400 shares of the Company's stock on December 20, 2023, with a total transaction amount of RMB 115.44 million. A total of 74 persons participated in this shareholding plan, include 7 directors (excluding independent directors), supervisors and senior management and 67 other employees.
- In September 2022, the Board of Directors deliberated and approved the 2022 Share Options Incentive Scheme (Draft), proposed to grant 55.00 million stock options to the incentive recipients, of which 49.50 million stock options, or 90.00% of the total number of stock options to be granted under the Plan, are to be granted for the first time, and 5.50 million stock options, or 10.00% of the total number of stock options to be granted under the Plan, are to be granted as a set-aside. The beneficiaries of the Incentive Scheme include directors, senior management, middle management, core technicians, and those recognised by the Board of Directors as deserving incentives, with meet performance evaluation goals as the vesting condition.
- On September 5, 2022, the Board of Directors deliberated and approved the 2022 Share Options Incentive Scheme (Draft), granting 49.45 million stock options to 423 incentive recipients with September 5, 2022 as the first grant date. On August 11, 2023, the Board of Directors of convened a meeting to consider and approve the Proposal for Granting Reserved Stock Options, determining August 11, 2023 as the reserved grant date for granting 5.5 million stock options to 149 incentive recipients. The beneficiaries of the Incentive Scheme include directors, senior management, middle management, core technicians, and those recognised by the Board of Directors as deserving incentives, with meet performance evaluation goals as the vesting condition.

In addition, Joincare's holding subsidiary Livzon Group also implemented the following Employee Share Ownership Plan/Share Options Incentive Scheme :

- In November 2023, Livzon Group approved the Third Phase of Ownership Schemes of the Medium and Long-term Business Partner Shareholding Plan through the shareholders' meeting. A total of 84 persons participated in this shareholding plan, including 8 directors (excluding independent directors), supervisors and senior management and 76 other employees.
- In October 2022, Livzon Group approved the 2022 Share Options Incentive Scheme by the general meeting. The Scheme granted incentives to 1,026 employees in the first vesting period, including 8 directors (excluding independent directors) and senior management, and 1,018 other employees. The first vesting period was completed in November 2022.
- In October 2023, the Board of Directors of Livzon Group considered and approved the Proposal on Matters Related to the Proposed Reserved Grants under the 2022 Stock Option Incentive Plan, which determined the reserved grant date to be October 30, 2023, and granted 2,000,000 stock options to 243 incentive recipients.

Employee Benefits System

Joincare is committed to optimising the employee benefits system applicable to all employees to improve employee welfare. We provide our employees with statutory holidays and contribute to pension, medical, unemployment, work-related injury, maternity, and housing provident funds.

In addition to the statutory benefits, we build an employee benefits system consisting of three pillars: health support, family and personal support, and work-life balance, providing broad range of material non-pay benefits for all employees (including full-time, part-time, and contractors): we provide dormitories for our employees and assist them in applying for government-run talent apartments or housing subsidies for talents to ease their housing pressure; we set up an internal gym free to all employees and regularly invite fitness instructors for professional guidance; we organise regular events such as year-end parties, celebrating traditional festivals, and team building to create a harmonious and healthy workplace; we carry out cultural activities after work with a focus on employees' hobbies and interests to grow team spirit and balance employees' work and life; and we support employee physical health by regularly launching activities such as occupational health check-ups, AED first-aid training, oral health lectures, stress and emotion management courses. All these efforts contribute to greater feelings of happiness and belonging.

Table: Joincare Employee Benefits System

Health support	Family and personal support	Work-life balance
· Annual health check-ups for employees · Occupational health check-ups · Health check-ups for females · Psychological counselling · Accident insurance · Extra pay for hot weather	· Employee canteen · Dormitories · Government-run talent apartments · Housing subsidies for talents · Living allowance for talents introduced · Support for advanced studies under master's and doctoral programs · Commuter allowance · Gifts for traditional holidays · Cash gifts for birthday, wedding, and maternity · Funeral and retirement solatia	· Gym · Break rooms · Team building · Annual parties · Associations · Library



Employee Birthday Party



Free Gym Access



Heartwarming Women's Day



Stress and Emotion Management Courses



On-site Traditional Chinese Medicine Services



First Aid Training for Employees

7.3 Occupational Health and Safety

Joincare upholds the safety management policy of “Safety First, Prevention First, Integrated Management” and advocates the “Putting People First” safety concept. We strictly abide by the laws and regulations regarding occupational health and safety, such as the Law of the PRC on Work Safety and the Law of the PRC on the Prevention and Treatment of Occupational Diseases. We have established the EHS Management Policy to clarify the Group’s standards for all employees in terms of health and safety, and encourage compliance among business partners (including customers, suppliers, contractors, etc.) with Joincare. We refine and optimise the Policy through consultation with employees or their representatives, thereby continuously enhancing the Group’s performance in occupational health and safety management.

Furthermore, in accordance with the requirements of the ISO 45001 Occupational Health and Safety Management System, we have revised or formulated 36 management policies, including the Environmental and Occupational Health Manual, the Occupational Hazard Prevention and Control Accountability Policy, and the Risk Assessment and Safety Management Policy. These policies help us identify, analyse, and control potential risks in daily operational management, ensuring the health and safety of our employees. In 2023, the Group’s safety management focused on fire safety, occupational health, and lean management, with goals defined accordingly.

Joincare’s Occupational Health and Safety Goals in 2023

- **Fire safety:** No work safety accidents
- **Occupational health:** No new cases of occupational diseases
- **Lean management objectives:** We continue the construction of the EHS system, complete internal and external audits and management reviews within this year. We improve the emergency system and conduct planned emergency drills. We also add safety sessions in our on-boarding training for all new employees, and offer special safety training for specific employees.

The EHS Management Committee, as the highest decision-making body of EHS management, consists of Board of directors and executive management, production leaders and EHS leaders, and is responsible for formulating the overall EHS development strategy and policies on occupational health and safety. General Managers of Joincare and its subsidiaries are the first persons responsible for supervising and promoting EHS management to provide a safe and healthy working environment. Presented below is how the Group prioritised and integrated occupational health and safety action plans in 2023:

Overview of the Group’s Occupational Health and Safety Action Plans Prioritisation and Integration in 2023

- We establish annual safe production goals and work plans.
- We increase safety investments, especially in automated facilities, to reinforce our safety foundation.
- We implement a safe production responsibility system for all employees.
- We improve the emergency system and conduct emergency drills.
- We provide more safety educational training to raise employees’ awareness of safe production.
- We continue to build the EHS management system and refine our management regulations to ensure production compliance in programmes.
- We strengthen risk management, push forward the standardisation of safe production, and integrate the dual-prevention systems.
- We standardise the management of special operations and strictly control operation approvals.
- We enhance safety management of contractors, with all contractors signing safety management agreements to improve the management quality of external construction crews.

Joincare headquarter carries out EHS internal audit, management review and external audit once a year, and the Group's production subsidiaries also conduct internal and external audits in accordance with their respective plans to verify whether EHS management complies with ISO 45001, so as to improve the effectiveness of the EHS management system and ensure the compliant and effective management for modules such as safety, environmental protection, occupational health, fire protection, etc. in daily operation.

Joincare's EHS Internal Audit



Joincare continuously increases investments in occupational health and safety. We upgrade work safety technology and equipment, and carry out safety training, safety emergency drills and other activities. This year, we invested about RMB 44,646 thousand in occupational health and safety, with the expense breakdown as follows:

Table: Breakdown of occupational health and safety expenses

(1) Work safety expenses	RMB33,034 thousand
In which: Expenses of safety training and education	RMB1,808 thousand
Expenses of safety emergency drills	RMB1,051 thousand
(2) Occupational health expenses	RMB11,612 thousand

7.3.1 Occupational Health

Joincare continues to improve and strictly follow management policies such as the Occupational Health Management System and Operating Procedures, the Monitoring and Evaluation System for Occupational Hazard Factors in the Workplace, and the Regulation on the Management of Hazard Identification and Evaluation, to identify, analyse and control the occupational hazards that may arise or exist in the work process. To further advance the construction of the occupational health and safety management system, Joincare works actively to obtain external certifications. By the end of the Reporting Period, Joincare and all its production subsidiaries had obtained the GB/T45001-2020/ISO 45001:2018 Occupational Health and Safety Management System certification with a coverage rate of 100%.

In 2023, Joincare continued to invest in occupational health protection for employees. We built special funds to optimize working environment, monitor occupational health and procure labour protection articles and regularly maintained, overhauled and upgraded protective facilities. This year, no new or suspected occupational contraindications or occupational cases occurred at Joincare.

Joincare's Safeguards for Occupational Health and Safety

Occupational hazards check-ups

- Healthier and more harmless processes, equipment, materials, etc. are preferred to minimise the impact of hazards on employees.
- We engage qualified service providers to carry out regular testing for potential occupational health hazard factors; conduct occupational disease hazard evaluation in accordance with the Regulations on the Management of Occupational Health in the Workplace.

Occupational health monitoring

We arrange regular occupational health examinations for employees in positions exposed to occupational disease hazards:

- Pre-job examination: We organise pre-job occupational health examination for employees who are about to engage in operations exposed to occupational hazards and operations with special health requirements.
- On-job examination: We organise regular on-job occupational health examination for employees who are exposed to occupational hazards.
- After-job examination: Employees are required to undergo health examination before they change posts or leave current posts that are exposed to occupational hazards.

Safeguarding occupational health of special posts

- We equip employees exposed to occupational hazards with labour protection articles and first aid supplies.
- We set up warning signs in places where occupational disease hazards may be involved.
- We maintain, overhaul and upgrade protective facilities against occupational diseases.

Case

Weeklong publicity on the Law of the PRC on the Prevention and Treatment of Occupational Diseases at Xinxiang Haibin

In April 2023, Xinxiang Haibin conducted weeklong publicity on the Law of the PRC on the Prevention and Treatment of Occupational Diseases with the theme of "Improving the working environment and conditions, protecting the physical and mental health of workers". The company developed a publicity plan for this, including a quiz bank and an online examination system. 91% of employees completed the online exam, which effectively enhanced their knowledge and awareness of occupational disease prevention and treatment and the Law.



Brochure for Publicity of the Law of the PRC on Prevention and Control of Occupational Diseases

Case



Occupational health management enhanced at Jiaozuo Joincare

To improve employees' capabilities in emergency response to occupational disease accidents, Jiaozuo Joincare has established and optimised the operational procedures for positions with occupational hazards, improved occupational health records, and issued an Occupational Disease Emergency Response Plan with regular drills. Additionally, to mitigate the occurrence of occupational hazards, Jiaozuo Joincare has implemented a series of engineering control measures against occupational disease hazards such as dust, toxic chemicals, and noise, to safeguard the health of employees. In April 2023, the company carried out an evaluation and testing and published the results on the status of occupational disease hazards, covering a total of 161 testing points. In May, the company organised occupational health examinations and established monitoring records, with 422 employees taking the examination, achieving a 100% participation rate. No occupational diseases or contraindications were found.



Occupational Health Check-ups

7.3.2 Work Safety

Insisting on the work safety guidelines directing “safety awareness, legal compliance and continuous improvement”, Joincare has formulated management policies such as the Safety Management System Operation Control Management and the Operation Assessment System for Dual Prevention Systems to improve work safety management. Meanwhile, we conduct risk identification and assessment, analyse and review the feasibility of existing risk control measures, and organise risk notification training sessions. We also have established a risk control mechanism to curb risks at the level of the Group, workshops, and positions respectively, and define the safety responsibilities of employees at all levels. This year, we improved the Change Management System to ensure that the hazards arising from changes in production processes and facilities were under control.

Level 1 Major Changes

Changed by external experts

Level 2 Process Changes

Changed by external experts upon an evaluation of subsidiaries' EHS Team

Level 3 Workshop Changes

Workshops or departments are assessed by EHS Change Team

At Joincare, we carry out regular internal audits on safety systems, deliver safety training to employees, and relentlessly improve work safety infrastructure to ensure a safe workplace. For new hires or those returning to work or transferred to a new post, we engage them in pre-job training based on the job requirements. In addition, we require special operation personnel to participate in qualification training, including training sessions for managers, safety management and special equipment operation, and acquire relevant certificates before work.

This year, no safety accidents occurred in the Group, achieving the goal of “zero safety accidents”.

Safety Inspection

This year, Joincare and its subsidiaries carried out 1,735 safety inspections, including routine safety inspection, monthly and quarterly safety inspections, special inspections for hazardous chemicals, inspection by external experts, canteen safety inspections and other internal inspections. To ensure safety production, we spared more efforts in safety inspection, including inspection for lightning protection, safety inspection for electric fire facilities, special equipment inspection, fire alarm system maintenance and other safety rectifications.

Case



Safety inspection at Taitai Pharmaceutical in the second quarter

In June 2023, Taitai Pharmaceutical conducted a comprehensive safety inspection in the second quarter. The inspection was led by senior management, with department heads and front-line employees examining all critical hazard sources, confined space risk points, special equipment, and fire safety issues throughout the factory. A summary meeting was held to define safety management objectives, which effectively strengthened the company's safety management efforts.



Safety Inspection for the Second Quarter

Emergency Plans and Drills

Joincare and its subsidiaries have established emergency response plans for internal safety incidents and contractor safety incidents, covering overall emergency, specialised emergency, and on-site handling scenarios. All plans have been reviewed and published. In 2023, the Group and its subsidiaries conducted 159 emergency drills, further refining and supplementing the emergency response plans based on the drill results.

Case

Annual integrated emergency drill at Xinxiang Haibin

To enhance emergency response capabilities and team development, Xinxiang Haibin conducted its annual emergency drill in June 2023. The drill engaged over 100 employees with an emergency drill evaluation team incorporated during the event. Composed of mid-level management and safety engineers, the team assessed the handling process and summarised experiences to improve the emergency response system.



Annual Integrated Emergency Drill

Emergency drill against hazardous chemical leakage in solvent storage area at Haibin Pharma

On 30 June 2023, Haibin Pharma conducted an integrated emergency drill against hazardous chemical (organic solvent) leakage and fire hazard in the newly constructed solvent storage area. The drill simulated a scenario in which a freight truck's unauthorised unloading operation resulted in a solvent barrel falling, leaking, and eventually catching fire. The drill concluded successfully, covering fire alarms, on-site handling, company-level response, use of fire-fighting equipment, leak containment, and accident wastewater collection, effectively testing the capabilities of emergency response team of the company.



Emergency Response Drill against Hazardous Chemical Leakage

Safety Culture Cultivation

Joincare has formulated an annual training plan in line with national laws and regulations. This year's EHS training covered various topics, including safety orientation for new employees, specialised operation, safe production responsibility system, accident case study, safety management - team safety, occupational health and safety, dual-prevention system, laws and regulations on safe production, fire safety, and emergency drills. This year, our EHS trainings lasted for a total of 220,734.6 hours with approximately 16.9 hours per employee, successfully achieving the goal of "Safety orientation for all new employees and specialised safety training for specific employees."

In 2023, the Group and its subsidiaries launched "Safety Month" campaigns. By participating in various activities such as themed publicity and education, warning education on production accidents, safety training, emergency drills, and safety inspection, our employees became more aware of safety at work. They got motivated to create a safety culture with joint efforts.

Case

Joincare Haibin's safety orientation for new employees

On 7 December 2023, Joincare Haibin organised a three-level safety orientation training for new employees at the factory. The training covered laws and regulations on safe production, basic principles of safe production, classification and causes of accidents, safety instructions for employees, fire safety knowledge, emergency handling measures, and job-specific standard operation procedures. The training was conducted at three levels: the company, workshops, and shifts, aiming to effectively enhance the safety awareness of new employees, prevent and avoid hazardous accidents, and secure the well-being and safety of employees.



Safety Orientation Training for New Employees

Training on safety management in chemical process at Xinxiang Haibin

To ensure the stable and safe production and improve the company's safety management, Xinxiang Haibin organised a themed training on the Guidelines for Chemical Process Safety Management (AQ/T3034-2022) for all mid-level management and safety management, reinforcing the leading role of the management in safety capability building.



Training on Safety Management in Chemical Process

08

Operating with Green Sustainability

SDGs in this section



Joincare upholds the sustainability principle and implements the concept of green and low-carbon development in every step of its operation management. We are strongly committed to adhering to environmental laws and regulations. We are striving to use more clean energy, promote low-carbon operations, conserve resources, reduce waste discharges, and comprehensively improve our environmental management capabilities. With these initiatives, we aim to better contribute to the national goals of “carbon peaking” and “carbon neutrality” and fostering a harmonious coexistence with nature.

8.1 Environmental Management System

Joincare strictly abides by laws and regulations regarding environmental protection, including the Environmental Protection Law of the PRC, Energy Conservation Law of the PRC, and Administrative Measures for Hazardous Waste. Active efforts are made to optimise the internal environmental management system. We have developed the EHS Management Policy to regulate the management requirements in key areas such as the three types of wastes (wastewater, waste gas, and solid waste), energy, chemicals, and water resources for the Group and its subsidiaries. With this policy in place, we aim to improve our environmental management practices. We have also introduced and kept improving the Safety and Environmental Management Manual, General Requirements for the EHS Management System, and Requirements for Identification and Assessment of Environmental Factors. These are part of our efforts to improve our capability of managing environmental issues and take on our environmental responsibility pragmatically.

In terms of environmental pollution prevention and control, we have developed and implemented the “three simultaneous” policy, requiring each production subsidiary to ensure the pollution prevention and control facilities should be designed, constructed and put into use simultaneously with the project’s main work. Meanwhile, we regularly maintain pollution abatement equipment and invest increasingly more in equipment and facilities upgrading and transformation of production processes and technologies to ensure their normal, stable and efficient operation.

In 2023, no major environmental pollution accidents and no administrative punishments occurred at any production subsidiaries of Joincare.

Table: Expenditures of Joincare in environmental protection in 2023

Category	Amount (RMB 10,000)
Technical upgradation of environmental protection equipment	1,565.45
Environmental protection operation and maintenance	8,764.56

8.1.1 Policies and Targets

Joincare adheres to the environmental management policy focused on “pollution prevention, legal compliance and continuous improvement”. Based on the environmental management status and performance, the Group has set five-year targets of energy saving and emission reduction, with 2020 as the baseline year, and keeps monitoring the progress for the targets. All production subsidiaries are required to refine their management of energy and natural resources and propel energy conservation and emission reduction at every link of production and operation to achieve environmental management targets together with the Group.

Table: Energy conservation and emission reduction targets of Joincare

Item	Indicator	Final Target by 2025
Water	Water consumption per unit production (RMB 10,000)	Down 5% from 2020
Electricity	Electricity consumption per unit production (RMB 10,000)	Down 5% from 2020
Chemical oxygen demand	Emission per unit production (RMB 10,000)	Down 5% from 2020
Sulfur dioxide	Emission per unit production (RMB 10,000)	Down 10% from 2020
Disposal volume of hazardous waste	Disposal volume per unit production (RMB 10,000)	Down 2% from 2020

To constantly enhance the environmental management level and performance, the Group sets annual targets for environmental compliance in operation and urges production subsidiaries to meet the required standard in terms of compliance with the standards three dimensions for wastewater and gas emissions, the occurrence of major pollution accidents, and annual environmental penalties.

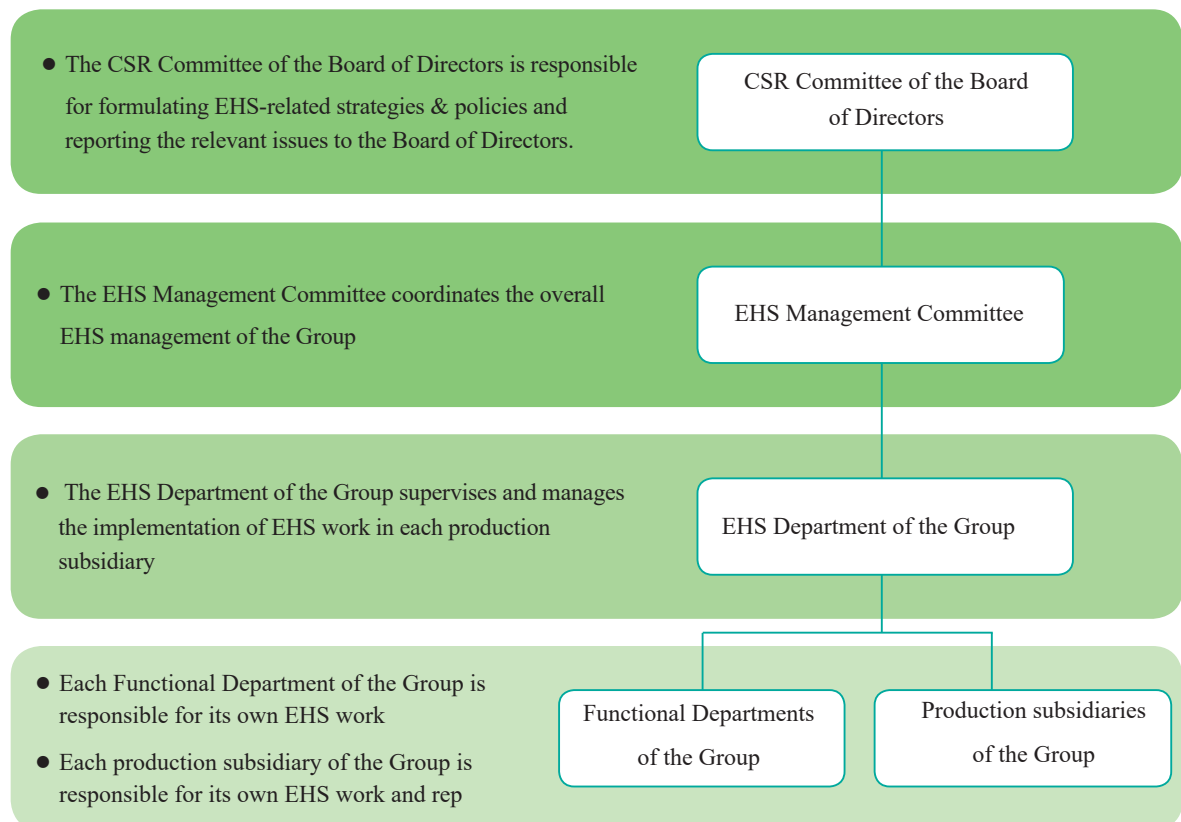
Table: Targets of environmental compliance in the operation of Joincare in 2023

Indicator	Annual Targets	Achievements
Compliant wastewater/gas emissions	100%	Achieved
Number of major pollution accidents	0	Achieved
Number of environmental penalties in the year	0	Achieved

8.1.2 Management Structure

To enhance the EHS management level, Joincare continuously improves the EHS management structure to define responsibilities and ensure their performance according to the EHS Management Policy. As the highest responsible body, the CSR Committee of the Board of Directors is responsible for formulating EHS-related strategies and policies, such as those on environmental management and resource utilisation, regularly reviewing the Group's performance in environmental management performance, and reporting EHS issues to the Board of Directors.

EHS Management Structure



Production subsidiaries of the Group have also developed a standardised EHS management system. As the first responsible person for EHS, the general manager is in charge of the overall environmental protection work; as the directly responsible persons, supervisors or department managers are in charge of the preparation of EHS initiatives, filing to the EHS Department of the Group, and supervision of the implementation of specific initiatives; and the employees of the subsidiaries cooperate with the Group's EHS policy and their EHS responsible persons in EHS management.

Joincare actively fulfils the responsibilities of carbon emission reduction management. The EHS Department is responsible for setting carbon emission reduction targets for the Group and its subsidiaries, reporting them to the CSR Committee of the Board of Directors for approval, and following up on the quarterly achievement of the Group's carbon emission targets. The general manager of each subsidiary, as the first person in charge of carbon emission, is responsible for scheduling carbon emission targets based on the actual situation of the company, working out effective carbon emission reduction measures, designating relevant responsible persons, and reporting the target achievement to the EHS Department of the Group on a quarterly basis. Meanwhile, the management's remuneration is linked with the Group's environmental performance to accelerate the realisation of energy conservation, emission reduction, and carbon emission targets. ESG indicators have been added to the individual performance assessment of all Social Responsibility Working Group members since 1 January 2022, with a weight of 10% in the total performance system. ESG indicators and their weights are as follows:

Table: Weight of ESG indicators in the assessment of Corporate Social Responsibility Working Group

Total weight of ESG indicators	(1) Energy conservation and emission reduction targets	Carbon emission targets	(3) ESG rating objectives
10%	3%	3%	4%

8.1.3 Accreditation Certificates

Joincare continues to improve the environmental management system. We devote down-to-earth efforts to environmental management, proactively promote cleaner production and green factory certification. In 2023, Joincare and 100% of its production subsidiaries were accredited to the ISO 14001 environmental management system. Among all production subsidiaries of the Group, 6 were accredited as the national green factory, 2 as the provincial green factory, and 8 production subsidiaries completed HAZOP analysis. Details are as follows:

Table: Accreditation of the environmental management system of Joincare in 2023

Company Name	GB/T 24001/ISO 14001 Accreditation	Clean Production Review	Green Factory Accreditation
Jiaozuo Joincare	Accredited	Approved	National
Joincare Haibin	Accredited	Approved	National
Haibin Pharma	Accredited	Approved	National
Taitai Pharmaceutical	Accredited	Approved	/
Xinxiang Haibin	Accredited	Approved	/
Livzon Xinbeijiang	Accredited	Approved	National
Livzon Pharmaceutical Factory	Accredited	Approved	National
Livzon Hecheng	Accredited	Approved	National

Company Name	GB/T 24001/ISO 14001 Accreditation	Clean Production Review	Green Factory Accreditation
Ningxia Pharmaceutical	Accredited	Approved	Provincial
Gutian Fuxing	Accredited	Approved	/
Fuzhou Fuxing	Accredited	Approved	Provincial
Jiaozuo Livzon	Accredited	Approved	/
Sichuan Guangda	Accredited	/	/
Livzon Limin	Accredited	Approved	/
Shanghai LivzonBio	Accredited	Approved	/
Shanghai Livzon	Accredited	/	/
Livzon Diagnostics	Accredited	Approved	/
Livzon MAB	Accredited	/	/

8.1.4 EHS Audit

Internal Audit

Joincare strictly implements internal audit procedures in accordance with the Group EHS Internal Audit Management Procedure, to make sure that its EHS management is effective. At the beginning of the year, the EHS Department of the Group works with the audit team on an annual internal audit plan based on vulnerabilities found in past internal audits and corrective actions taken by subsidiaries. The EHS Department conducts EHS audits on all subsidiaries at least twice a year, and makes timely summaries and prepares internal audit reports of subsidiaries after the audit. Subsequently, the EHS Department urges the rectification of unqualified items by the subsidiaries, compiles a group audit report every six months and submits them to the management for review. Corresponding production subsidiaries shall rectify unqualified items found in the internal audit under the guidance of the Management Regulations on Corrective and Preventive Measures. In 2023, the Group conducted 8 EHS internal audits across all subsidiary companies. All unqualified items found in the annual EHS internal audit were rectified with a coverage rate of 100%.

Production subsidiaries of the Group consciously and regularly inspect the stability of pollutant control equipment, the disposal method of solid waste and the launch of emergency drills, and rectify the unqualified items in a timely manner, to firmly ensure the compliance of EHS management and the effective operation of the Group's EHS management system.

External Audit

Joincare conducts an external audit of EHS annually and engages qualified third-party certification agencies to audit and supervise production subsidiaries that have obtained ISO certification. In 2023, we rectified all the unqualified items found and passed the external audit.

8.2 Addressing Climate Change

Climate change is a grave challenge facing all mankind. The warming trend of the climate system has continued in recent years. As extreme weather events, rising sea levels and other climate problems become more severe, there is an urgent need to address climate change. In line with international trends, Joincare is committed to reducing the impact of climate change on human health and business operations. While intensifying efforts to manage and address climate risks, we are working hard to seize the green development opportunities brought by climate change, to support the country's achievement of carbon peaking and carbon neutrality.

Referring to the guidance in IFRS S2 Climate-related Disclosures, we manage and disclose our climate-related information along four dimensions: governance, strategy, risk management, and metrics and targets. In 2023, we responded the CDP climate change questionnaire for the first time. Moving forward, we will continue to disclose detailed climate-related information by responding to the questionnaire.

8.2.1 Governance

The Group has established a climate governance structure based on the corporate social responsibility governance system to manage climate change in a top-down manner. As the highest management body, the CSR Committee of the Board of Directors is responsible for developing and improving climate strategies, reviewing climate risk management policies, assessing climate-related targets and progress towards them, and monitoring the implementation of measures to address climate change. Joincare has set up a climate change response team at the Group level. The team is responsible for studying and analysing the operations of the Group and its production subsidiaries, identifying the main climate-related risks faced by the Group and developing solutions, and reporting on the risk responses to the CSR Committee. The EHS Department leads our work on climate change, including making the list of climate risks, identifying and assessing climate-related risks, analysing and listing potential climate-related development opportunities, and determining addressing measures and targets based on discussions with other business units and the climate risk scores.

We have also developed and published the Climate Change Management System in 2023. The policy sets out the Group's procedures for identifying and assessing climate-related risks and opportunities, as well as the requirements for implementing and monitoring the response measures, to better drive our climate change management. In 2023, all our subsidiaries engaged professional third-party companies in their carbon accounting, allowing us to comprehensively review the carbon management performance and actively promote the carbon emissions reduction efforts of the Group.

8.2.2 Strategy

Joincare has made climate change issues part of its decision-making on corporate strategies. We stay focused on the impact of climate change on our short and long-term production and operations. We strive to improve the overall ability to manage climate risks by identifying and assessing the climate-related risks facing our business and determining response measures to those risks.

Table: Climate risk identification and countermeasures³

Category	Risk Assessment	Impact	Countermeasures
Physical risks - acute risks	•Severity of impact: relatively low •Possibility: likely •Timeframe: short-term	•Extreme weather events caused by climate change, such as torrential rains, typhoons and floods, may interrupt electricity transmission in plants, resulting in water and power outages, or damage equipment, which will reduce productivity and threaten the safety of an enterprise's properties.	•The Group pays close attention to climate change trends and formulates contingency plans for extreme weather according to the circumstances. •The Group has set up a special action team for typhoon disaster weather to ensure emergency material reserves and make every effort to reduce the impact of typhoons. •Xinxiang Haibin and Jiaozuo Joincare have established special teams for flood responses and Party member taskforce and purchased adequate flood control materials, reinforcing flood response capabilities.
Physical risks - chronic risks	•Severity of impact: relatively low •Possibility: likely •Timeframe: long-term	•More frequent extremely scorching weather will harm the health of employees who work in high temperatures environment. •Rising sea levels reduce the useful lives of plants and facilities in coastal areas.	•The Group has taken effective measures to prevent heat-related illness. We provide heatstroke prevention grants for employees working in the summer and provide intensive protection for employees working in high temperatures and on hot days. •We pay close attention to geo-climatic information and cover all our operations with the "property all risks" insurance.
Transition risks - policy and legal risks	•Severity of impact: low •Possibility: likely •Timeframe: short-term	•Regulatory requirements for environmental protection are becoming more stringent. Besides, more national and local policies have been issued to limit companies' carbon emissions.	•The Group is actively adjusting its business and product structure and gradually reducing the use of energy-intensive and highly polluting production technologies and equipment. Sustained efforts are being made to try eco-friendly technologies and materials, so as to limit our carbon emissions.
Transition risks - market risks	•Severity of impact: low •Possibility: probable •Timeframe: short-term	•Climate change results in higher costs of raw materials and energy consumption for pharmaceutical production, and increasing logistics costs, which threatens the stability of the supply chain.	•The Group has identified alternative suppliers of raw materials, key consumables and other materials. The Group has also signed strategic cooperation agreements with suppliers of key materials, and made plans to incorporate new suppliers. These measures are taken to ensure a stable and consistent supply of materials.
Transition risks - technology risks	•Severity of impact: relatively low •Possibility: possible •Timeframe: medium-term	•The development of low-carbon equipment and production technologies is fraught with uncertainty. Investments in new technologies may fail due to immature technology and low market recognition.	•When investing in new technologies or introducing new equipment, the Group will conduct sufficient project research and feasibility studies to fully assess the payback period and project feasibility. We will select the most appropriate and mature technology to reduce the risk of investment failure.
Transition risks - reputation risks	•Severity of impact: relatively low •Possibility: possible •Timeframe: medium-term	•As the public pays more attention to environmental protection issues, an enterprise's failure to respond to climate change will affect the public opinion of it and damage its reputation in the market.	•The Group has set carbon emission targets and discloses information on climate change in its corporate social responsibility reports and the CDP climate change questionnaire. •We have ramped up communication with stakeholders to respond promptly to their concerns about our environmental performance.

³Timeframes (time over which a risk is expected to materialise): short-term (0-3 years), medium-term (4-10 years), and long-term (more than 10 years)

Possibility (the likelihood that a risk is to materialise): basically certain, probable, likely, possible, unlikely, and very unlikely

Impact (the severity of a risk's impact on business performance): high, relatively high, medium, relatively low, and low

Climate change brings not only risks but also opportunities to our business. With progress made towards the national goals of carbon peaking and carbon neutrality, we have adopted active measures to address climate change. An accelerated transition to low-carbon operation can help us get the upper hand in the market competition. We keep abreast of the developments of domestic and international policies on climate change and identify and assess climate-related opportunities in terms of three dimensions: resource utilisation rate, clean energy substitution, and market demand.

Table: Climate opportunity identification and countermeasures⁴

Opportunity	Severity of Impact	Impact of Opportunity	Measures to Seize Opportunity
Higher resource utilisation rate	Medium	•Lower energy and resource consumption can reduce emissions and operating costs. •By adopting more efficient production technologies, companies can increase their production capacity and revenue while using resources more efficiently.	•The Group actively engages in energy conservation and emission reduction projects and increasingly invests in green production projects. We are able to continuously improve energy and resource efficiency, reduce costs and increase efficiency through technology transformation and equipment upgrading.
Increasing proportion of clean energy	Relatively low	•Increasing the proportion of clean energy can effectively reduce carbon emissions and help achieve the Group's emissions reduction targets. •Replacing fossil fuels with clean energy can help companies better manage the risk of rising fossil fuel prices in the future.	•The Group plans to accelerate the construction of photovoltaic power generation projects and gradually increase the installed photovoltaic capacity and annual photovoltaic power generation. Livzon Group, one of our holding subsidiaries, has initiated such projects in the qualified plants of all its subsidiaries, to continuously improve its self-sufficiency in clean energy.
New market demands	Medium	•Climate change may lead to more chances for human infections and outbreaks of influenza, as well as increased risk of respiratory diseases, creating new market demands for pharmaceutical companies.	•Closely tracking market demands, the Group has developed a number of medicines for respiratory diseases such as asthma, COPD and bronchiectasis. TG-1000, which is being developed for influenza A and B, has entered the phase-3 clinical trial.

The Group also recognises the importance of climate scenario analysis for climate risk assessment and management. In 2023, our holding subsidiary Livzon Group conducted a scenario analysis of its business for the first time. It used the results of the analysis to assess climate risks and opportunities in order to better predict the impact of potential climate risks, improve the resilience of its business and identify carbon emission reduction paths.

⁴Severity of impact (the severity of a risk's impact on business performance): high, relatively high, medium, relatively low, and low

Case



The climate scenario analysis of Livzon Group

Following the TCFD recommendations and taking into account its business characteristics, Livzon Group conducted a climate scenario analysis in the Shared Socioeconomic Pathways (SSPs) scenarios proposed by the Intergovernmental Panel on Climate Change (IPCC). In 2023, Livzon Group compared two highly comparable climate scenarios, SSP1-2.6 and SSP5-8.5:

- SSP1-2.6 (low emissions scenario): The scenario shows a sustainable society using mainly clean energy. Under the scenario, all countries have recognised the seriousness of climate change and have adopted stricter climate policies to reduce emissions. At the same time, technological progress and increased environmental awareness accelerate the transition to a low-carbon and low-energy society. As a result, the global carbon emissions have been significantly reduced. The rise in average global temperatures by 2100 is limited to no more than 2°C above pre-industrial levels.

- SSP5-8.5 (high emissions scenario): Under this scenario, the emission path remains unchanged, the global economic development relies on fossil fuels, and greenhouse gas (GHG) emissions continue to increase. Over time, as countries stop announcing new climate policies, physical risks from climate change intensify sharply and extreme weather events are more frequent and severe. The average global temperature rises by more than 4°C above pre-industrial levels by 2100.

Under these two climate scenarios, China's GDP per capita will show about 8.9-11.3 times increase by 2055 compared to the baseline in 2010. In general, higher GDP will have a positive impact on healthcare needs and more people will expect high-quality medical services and medicines.

8.2.3 Risk Management

To proactively respond to the risks and opportunities brought by climate change, the Group has established a robust climate risk management system. We identify climate risks and opportunities each year, formulate scientific climate change response plans, and regularly report progress to the CSR Committee of the Board of Directors, which ensures that climate-related risks are effectively managed.

Our climate risk management steps:

Step 1: Making a list of potential climate risks	•The EHS departments of our subsidiaries collect peer reports, industry research reports, media reports, relevant policies enacted by regulators and other external information and data. Based on this information as well as stakeholder surveys and internet searches, they draw up a list of potential climate risks faced by their companies. In the process, other relevant business divisions will support the EHS departments by collecting, summarising and sharing information on climate risks faced by their departments.
Step 2: Determining assessment criteria	•For each identified climate risk, assess from the following four dimensions: (1)Time over which a risk is expected to materialise (2)The likelihood that a risk is to materialise (3)The severity of a risk' impact on the subsidiaries' financial plans (4)The severity of a risk' impact on the subsidiaries' corporate strategies
Step 3: Scoring by the management	•The EHS departments assess and score each risk identified in the 4 dimensions in Step 2. Based on their scores, the risks are ranked from the highest to the lowest and a list of risks by severity is created. The list is submitted to the heads of the relevant business divisions for initial approval and then to the general managers of the subsidiaries for final approval. Once approved, it becomes the final annual list of risks of the subsidiaries.
Step 4: Determining response measures	•The EHS departments determine response measures and set targets based on the risk scores and discussions with other relevant business divisions. They then hammer out action plans to respond to climate risks, which will be implemented by the relevant business divisions after approval by the general managers.
Step 5: Overseeing and reporting	•The relevant business divisions report to their general managers on the implementation of the action plans every six months and adapt them in good time to their actual situation. •The subsidiaries prepare annual reports on climate risk management every year. After approval by the general managers, the reports are submitted to the Corporate Social Responsibility Working Group for review and then to the CSR Committee of the Board of Directors for final approval.

8.2.4 Metrics and Targets

The Group's GHG emissions mainly come from fuel combustion, electricity and purchased steam consumed in production and operation. GHG emissions and energy use of Joincare in 2023 are as follows:

Table: GHG emissions and energy use of Joincare in 2023

Indicator	Unit	APIs	Formulations	Total
Direct GHG emissions (Scope 1)	Tonne of CO ₂ equivalents	6,988.7	155,688.3	162,677.0
Indirect GHG emissions (Scope 2)	Tonne of CO ₂ equivalents	578,364.9	291,959.0	870,323.9
Total GHG emissions	Tonne of CO ₂ equivalents	585,353.6	447,647.3	1,033,000.9

Table: Energy use of Joincare in 2023

Indicator	Unit	APIs	Formulations	Total
Gasoline	Litre	194,374.1	193,051.4	387,425.5
Diesel	Litre	230,578.1	30,544.7	261,122.8
Coal	Tonne	66,894.5	0	66,894.5
Liquefied petroleum gas	Tonne	1.0	2.8	3.7
Natural gas	10,000 cubic meters	795.0	298.9	1,093.9
Purchased steam	Tonne	867,473.8	738,475.8	1,605,949.6
Purchased electricity	MWh	859,060.3	130,011.1	989,071.4

In 2022, the Group deliberated and approved the Proposal on Adding Carbon Emission Targets to Joincare's Environmental Management. According to the proposal, we set the carbon emission target of Joincare from 2022 to 2055 and commit to achieving carbon peaking by 2028 and carbon neutrality by 2055 (Scope 1 and Scope 2⁵). In 2023, we took multiple measures to meet our carbon emission targets, including closely monitoring our progress towards our annual targets, constantly promoting green production, and diligently exploring the potential in energy management.

Table: Carbon emission targets of Joincare from 2022 to 2025

Year	Item	Indicator	Targets
2022	Carbon emission	Emission per unit production (RMB 10,000)	Down 2% from 2021
2023	Carbon emission	Emission per unit production (RMB 10,000)	Down 4% from 2021
2024	Carbon emission	Emission per unit production (RMB 10,000)	Down 6% from 2021
2025	Carbon emission	Emission per unit production (RMB 10,000)	Down 8% from 2021

⁵ 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.); Scope 2 GHG emissions are mainly derived from indirect GHG emissions from purchased electricity and steam consumed by the company's operations/production processes.

8.3 Energy Management

The Group takes steady steps to develop the energy management system in strict accordance with laws and regulations such as the Energy Conservation Law of the PRC and the Law of the PRC on Promoting Clean Production, based on ISO 50001 standards. The production subsidiaries of the Group have established an energy management system based on their actualities. They identify their energy availability through on-site investigation, data verification and energy data analysis, fully exploit their energy-saving potential, and formulate practical measures for efficient and orderly energy management.

Table: Energy system accreditations of Joincare's production subsidiaries

Company Name	Energy System Accreditation	Name of the Energy System
Jiaozuo Joincare	Accredited	ISO 50001:2018 / RB/T114-2014
Xinxiang Haibin	Accredited	ISO 50001:2018 / RB/T114-2014
Haibin Pharma	Accredited	ISO 50001:2018 / RB/T114-2014
Fuzhou Fuxing	Accredited	ISO 50001:2018 / RB/T114-2014
Livzon Xinbeijiang	Accredited	ISO 50001:2018 / RB/T114-2014
Jiaozuo Livzon	Accredited	GB/T23331-2020/ RB/T 114-2014

We incorporate the energy management concept into the work processes. In production, we take measures to improve energy use efficiency for energy conservation and emission reduction. We also increase the investment in green production projects and strive to build a low-carbon and energy-saving green production enterprise. The green production projects during this year are as follows:

Table: Green production projects of Joincare in 2023

Company Name	Project Name	Investment Amount	Result
Jiaozuo Joincare	Anaerobic biogas reuse	RMB1.79 million	Jiaozuo Joincare is currently implementing a biogas reuse project with a capacity of 4,000 m ³ /d. In this project biogas produced in the anaerobic section of the industrial wastewater workshop is purified and used as fuel for RTO regenerative incinerators. The project is now in progress and is expected to meet the fuel needs of the two RTO incinerators of Jiaozuo Joincare and Jiaozuo Livzon. An RTO consumes approximately 365,000 m ³ of natural gas annually. The remaining part, after heating hot water, is used to replace steam, saving 3,759.5 m ³ of steam per year.
Xinxiang Haibin	Technological improvement of circulating pumps	/	Xinxiang Haibin carried out energy-saving technical improvement for circulating pumps. Under an agreement with a third party, the third party provided the energy-saving pumps, and both parties shared the energy-saving benefits. In 2023, the two parties saved 984,744 kWh of electricity, including 362,190 kWh at Xinxiang Haibin. About 420 tonnes of carbon dioxide emissions was reduced.
	Energy-saving street lamp project	RMB87,500	Xinxiang Haibin purchased and installed 25 explosion-proof solar street lamps. The lamps, with a power of 200W, operated 12 hours a day and saved a total of 21,900 kWh of electricity in 2023.
Livzon Hecheng	Improvement of energy consumption in sewage treatment	RMB870,000	Livzon Hecheng replaced CASS (Cyclic Activated Sludge System) with MBR (membrane bioreactor), which effectively reduced energy consumption in sewage treatment. The project is underway and is expected to save 700,000 kWh of electricity per year when completed.
Gutian Fuxing	Upgrading of biomass boiler facilities	RMB3 million	In 2023, Gutian Fuxing completed the upgrade of its 12 tonnes/hour biomass boilers and boiler exhaust treatment facilities, which have been put into operation. The project saves 1,000 tonnes of coal each year.

8.4 Emission Management

Joincare abides by national and local laws and regulations such as the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on Prevention and Control of Soil Contamination, the Law of the People's Republic of China on the Prevention and Control of Air Pollution and the Regulations on the Safety Management of Hazardous Chemicals. We strictly control emissions and perform our environmental protection responsibilities.

We have formulated policies such as the Safety and Environmental Management Manual and the Environmental Protection Management Assessment System in light of our own operating conditions. We also revised our environmental management policies in 2023, including the Hazardous Waste Management Policy, the VOCs Collection and Management System, and the Management Policy for Production Wastewater Discharge. Based on this, the classification method, monitoring method, disposal process and emission standard of all emissions are specified. This ensures that emission management is based on unified systems and standards. We strive to build a green production line for sustainable development.

In addition, the pollutant emission is under our control throughout the production process. All production subsidiaries of the Group have applied for a sewage discharge permit in accordance with the law on the unified national platform. After obtaining the permit, they discharge in strict accordance with the requirements within the validity period and firmly ensure the compliance of pollutant emission. Furthermore, we have formulated a self-monitoring plan based on the environmental impact assessment requirements and sewage discharge permits. We hire qualified third-party testing agencies to monitor our waste gas, wastewater and noise regularly. Based on the monitoring results, we conduct self-inspection and correction of non-standard behaviours, and strive to minimise the negative impact of our production on the environment, as part of our environmental protection efforts.

8.4.1 Waste Gas Management

Joincare devotes ongoing efforts to the management of waste gas emissions in accordance with laws and regulations, including the Law of the PRC on the Prevention and Control of Air Pollution. We have formulated and implemented waste gas management policies such as the VOCs Management System for Collection and Treatment, the Boiler Waste Gas Emission Management System, and the Standard Operating Procedures for High-concentration Waste Gas Treatment Systems. The policies require all production subsidiaries to standardise the management process and ensure the waste gas emission is up to standard. The production subsidiaries of the Group strictly implement waste gas management and take effective measures to minimise the impact of waste gas emissions on the environment based on their actualities. For example:

- **Digital monitoring and manual detection of waste gas:** The production subsidiaries have installed online monitoring equipment for organised waste gas emissions and detection equipment for fugitive waste gas emissions for real-time monitoring of the waste gas pollution factors. Data is uploaded to the automatic national monitoring and basic database system for key pollution sources in real-time. Meanwhile, these subsidiaries conduct manual detection of organised and fugitive waste gas emissions each quarter pursuant to the requirements of the waste discharge permit and their self-monitoring plans. This practice aims to advance efficient management of the emissions.
- **Daily inspection and feedback of waste gas concentration detection:** In the daily inspection of environmental protection, the production subsidiaries check the concentration detection of environmental pollutants in their production areas, the concentration detection of environmental pollutants in key areas, the leakage problems in the production areas, and the operating status of the waste gas collection and treatment facilities. In addition, they report the concentration of environmental pollutants within the scope of their factories to the production units, demand that the items that do not meet the requirements be corrected in a timely manner, and record the items that violate the environmental management policy and punish those responsible.
- **Strengthening waste gas management capabilities:** The production subsidiaries will conduct professional and technical training for the relevant waste gas management personnel in order to improve their professional skills. At the same time, the production subsidiaries acquire real-time updates on the progress of each production step by consistently strengthening communication between the waste gas treatment departments and the production departments.

To reduce harmful emissions from our operations, we carry out group-wide projects of emissions management improvement every year. Each Joincare's production subsidiary continues to increase its investments in waste gas management and have achieved effective management of waste gas emissions by upgrading waste gas treatment equipment and process.

Table: Major waste gas management and improvement projects of Joincare in 2023

Company Name	Project Name	Result
Haibin Pharma	Upgrading of waste gas treatment in off-site workshops	Haibin Pharma installed 1 waste gas treatment membrane system, 1 pretreatment facility, 1 set of three-in-one drug filter washing dryer, 2 vacuum pumps, and 2 condensers for centralised recycling of waste gas. This project creates an annual benefit of RMB1 million. Waste gas treated is filled in the RTO system for re-treatment, realising ultra-low emissions. The project not only brings economic benefits to the company, but also reduces the safety risks associated with treating high-concentrations waste gas.
Xinxiang Haibin	Pretreatment for waste gas treatment	To reduce the inlet concentration in the RTO system and eliminate the effect of fine dust in waste gas on the RTO combustion process, Xinxiang Haibin installed 1 spray tower and 2 spray pumps for waste gas pretreatment.
	Improvement of VOC emissions	In 2023, Xinxiang Haibin replaced the flat centrifuge in the No.3 workshop with a three-in-one device, which lessened the open operations and further reduced the fugitive VOC emissions from the No. 3 workshop. The VOC concentration in the open feeding operation in the workshop has been lowered from the original 50 mg/m ³ to around 10 mg/m ³ , which is expected to reduce the fugitive VOC emissions by 0.5 tonnes per year.
	Improvement of fugitive waste gas emissions	Xinxiang Haibin built a new solvent tank farm and substituted canned solvents for barreled solvents. This upgrade realised automatic material input, resulting in lower safety risk, and reduced open operations and fugitive emissions. It is expected to reduce fugitive waste gas emissions by 2.59 tonnes annually.
Ningxia Pharmaceutical	Waste gas reuse	In 2023, Ningxia Pharmaceutical launched technical exchanges and cooperation with companies qualified in exhaust gas recycling. They used the membrane-based recovery process to recover the acetone tail gas produced by the company's production line for API refining. The recovery rate can be as high as more than 90%, effectively reducing VOC emissions.
Livzon Hecheng	Renewal of waste gas equipment	•Livzon Hecheng added an RTO set, greatly improving the VOC processing efficiency and reducing the VOC emission concentration by more than 85%. •The company replaced an 8 t/h ultra-low nitrogen natural gas boiler, reducing the concentration of nitrogen oxide emissions by 80%. •The company installed the liquid nitrogen cryogenic treatment and recovery facilities for the waste gas produced by the refinery workshop. These facilities use the plant's liquid nitrogen cooling capacity to condense and recover acetone and ethanol. The ongoing project is expected to recover 140 tonnes of acetone and ethanol per year, which will not only reduce exhaust emissions but also improve solvent recovery.

Table: Emissions of main waste gases of Joincare in 2023

Indicator	Unit	APIs	Formulations	Total
Volatile organic compounds	Tonne	65.6	3.5	69.0
Nitrogen oxide	Tonne	85.5	4.6	90.1
Sulfur dioxide	Tonne	34.3	0.3	34.6
Particulates	Tonne	13.5	2.5	16.0

8.4.2 Wastewater Management

According to laws and regulations such as the Water Law of the PRC and the Water Pollution Prevention and Control Law of the PRC, Joincare has established the wastewater management system and formulated a series of standard operating procedures. By installing online wastewater monitoring equipment at the effluent outlets of major wastewater discharge plants and networking with regulatory authorities, we monitor and share real-time chemical oxygen demand (COD), ammonia nitrogen, total nitrogen, total phosphorus and other discharge data of treated wastewater, and urge all the production subsidiaries to meet the set standards for wastewater treatment and discharge. We regularly inspect and maintain the wastewater treatment and monitoring equipment to ensure the stable and efficient operation of the wastewater treatment system. The production subsidiaries of the Group also upgrade the processes and equipment that produce wastewater and strive to reduce the discharge of wastewater.

At the same time, we conduct regular training for operators of the wastewater treatment system and at the sewage stations to improve their management awareness and professional skills and to ensure that wastewater management runs smoothly. In 2023, the EHS personnel from our headquarters provided on-site assistance to Xinxiang Haibin in upgrading the anaerobic section of sewage treatment and converting organic pollutants into biogas for recycling and reuse, thereby easing the burden on the subsequent biochemical sewage treatment.

To reduce the environmental impact of wastewater from our operations, we carry out group-wide wastewater management improvement projects every year. We decrease wastewater discharge, increase wastewater utilisation, and reduce the concentration of pollutants in wastewater by improving wastewater treatment processes and upgrading wastewater treatment facilities. In this way, we continue to explore the potential for better wastewater management. At the same time, we continue to track and review the progress of wastewater management improvement projects and the effectiveness of treatment to ensure that our efforts to reduce and manage wastewater emissions are fruitful.

Table: Major wastewater management and enhancement projects of Joincare in 2023

Company Name	Project Name	Result
Xinxiang Haibin	Pretreatment of production wastewater	Xinxiang Haibin added two sets of wastewater distillation, recovery and pretreatment facilities to recover n-octane and ethanol from production wastewater. This not only improves the solvent recycling rate, but also ensures the stable operation of the environmental protection facilities in subsequent processes, generating a benefit of RMB1.5 million each year.
Gutian Fuxing	Upgrade of sewage treatment facilities	In the year, Gutian Fuxing built a new membrane treatment plant for high-ammonia nitrogen wastewater to pretreat such wastewater and protect the treatment efficiency of its wastewater treatment facilities from declining due to the impact of high-concentration wastewater. This ensures the efficient and stable operation of the wastewater treatment facilities.
Livzon Limin	Waste alcohol reuse	In the year, following the guidance of the Demonstration Report on Comprehensive Utilisation of Waste Alcohol, Livzon Limin recycled waste alcohol to the wastewater treatment plant and used it as a supplementary carbon source, thus improving the recycling rate of waste alcohol.

Company Name	Project Name	Result
Jiaozuo Livzon	Technical transformation	During the year, Jiaozuo Livzon added the pretreatment process for fluoride-containing wastewater. It added potassium chloride to the wastewater to reduce the level of fluoroborate and decrease the discharge of fluoride, thereby relieving the impact of fluorine-containing wastewater on the entire sewage treatment system.
	Triethylamine recycling	In the year, Jiaozuo Livzon initiated a triethylamine raw material recycling project. This project was expected to recycle 157 tonnes of triethylamine every year, with a reuse rate of 58%. This has effectively lowered the COD concentration in wastewater discharged and mitigated the environmental impact of its production activities.
Sichuan Guangda	Technical transformation	Taking into account the different COD concentrations of wastewater, Sichuan Guangda built high- and low-concentration collection tanks to collect wastewater with different COD concentrations separately. This has effectively mitigated the impact of direct discharge of high-COD wastewater into the sewer system.

Table: Main wastewater and pollutant emissions of Joincare in 2023

Indicator	Unit	APIs	Formulations	Total
Wastewater emission	Tonne	10,977,349.2	1,114,799.8	12,092,149.0
Chemical oxygen demand	Tonne	968.4	26.7	995.2
Ammonia Nitrogen	Tonne	112.0	1.7	113.6

8.4.3 Solid Waste Management

Joincare stores, collects, disposes and transports wastes in strict accordance with the standards and regulations such as the Catalogue of Classified Management of Discharge Permits for Stationary Pollution Sources and the Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Disposal Facility. Therefore, legal compliance is ensured in solid waste treatment. For hazardous waste, under the manifest system for transfer of hazardous waste, we transfer all such waste we produce to qualified companies for rule-based disposal. And we deliver non-hazardous waste to qualified entities with whom we have sign contracts for safe disposal.

Adhering to the principles of Reduction, Resource Utilisation, and Harmless Processing, we strictly control the discharge of solid waste in waste generation, reuse and harmless disposal links, with the aim of reducing our impact on the environment. At the same time, the Group has set solid waste disposal targets, which have been allocated to all subsidiaries. The subsidiaries are required to achieve a disposal rate of 100%. In 2023, all subsidiaries achieved their solid waste disposal targets.

To reduce waste discharge from our operations, we carry out group-wide waste management improvement projects every year. We classify waste to improve treatment efficiency, and actively promote waste reduction, recycling and harmless disposal by introducing advanced environmental protection technology into production, upgrading original production technology and formulations, and cooperating with third parties. We are monitoring the operation and treatment effects of solid waste management improvement projects to ensure that our efforts to reduce waste discharge are effective.

Table: Major solid waste management and improvement projects of Joincare in 2023

Company Name	Project Name	Result
Xinxiang Haibin	Technological transformation of hazardous waste treatment	In 2023, Xinxiang Haibin invested RMB1.50 million in the technical transformation of the MVR and mother liquor concentration processes for its high-salt wastewater treatment equipment. In the past, the high-salt wastewater from the workshops, after the mixed treatment, contained a large amount of hazardous solid waste. After the technical transformation, the company treats the wastewater separately. Part of the wastewater goes directly to the evaporation boiler for evaporation and concentration, and is then mixed after the testing, reducing the production of hazardous waste by 40%. As a result, the annual production of hazardous solid waste can be reduced by more than 500 tonnes.
Ningxia Pharmaceutical	Waste reuse	In 2023, in cooperation with third parties, Ningxia Pharmaceutical completed the experiment of reusing boiler slag and sludge as construction raw materials, transforming the slag and sludge into resources.
Fuzhou Fuxing	R&D of fungi residue reduction and recycling technology	In 2021, Fuzhou Fuxing cooperated with South China University of Technology in research and development of reduction and recycling of fungi residues. By improving the flocculant and adding low-temperature drying equipment, the reduction rate of fungi residue per unit of product has been steadily controlled at over 60%. In 2023, the project operated stably and saved disposal costs of about RMB1 million or more, achieving the expected results.
	Optimising filter pressing in hazardous waste disposal	In 2022, Fuzhou Fuxing optimised the flocculant formulation in filter pressing in hazardous waste disposal and added the low-temperature drying facilities, reducing solid waste by more than 60% and saving disposal costs of about RMB1 million. As at the end of the reporting period, the project was under implementation.
Gutian Fuxing	Upgrade of sludge press system	After the upgrade project was completed in 2021, the moisture content of Gutian Fuxing's sludge was down from 85% to 60%. This effectively reduces the sludge production and avoids problems such as dripping due to high moisture content during sludge transport.

Table: Waste treatment of Joincare in 2023

Indicator	Unit	APIs	Formulations	Total
General industrial waste	Tonne	120,211.8	21,327.3	141,539.1
Hazardous Wastes	Tonne	6,476.7	407.5	6,884.2
Among which: Pharmaceutical waste and waste medicines	Tonne	3,546.3	245.9	3,792.2
Other hazardous waste	Tonne	2,930.4	161.6	3,092.0

8.4.4 Noise Management

Joincare strictly abides by the Environmental Noise Pollution Prevention and Control Law of the PRC, Environmental Noise Emission Standards for Industrial Enterprises Boundary, and other relevant laws and regulations. We equip the production subsidiaries with noise detectors and test the noise at the plant boundary every month to ensure that the noise during daytime/night is lower than the national emission limits. The production subsidiaries also actively optimise their production equipment, and try to reduce the impact of production noise on the environment by adding soundproof houses and nitrogen generator mufflers.

Case



Noise reduction of refrigeration machines by Xinxiang Haibin

In 2023, Xinxiang Haibin invested RMB 350,000 to build a soundproof room with acoustic panels and closed the door and windows of the room to best soundproof the refrigeration machines. The measured noise levels have met the noise standards for production workshops and workplaces of industrial companies.



Noise Reduction Project of Refrigeration Machines by Xinxiang Haibin

8.5 Resource Utilisation Management

Adhering to the concept of sustainable development in the whole process of production and operations, Joincare consistently strengthens resource use management and practices the concept of green development. We abide by the Water Law of the PRC, the Circular Economy Promotion Law of the PRC, and other relevant laws and regulations. We have implemented stringent management requirements for water resources and materials. We also promote standardised and systematic management measures, and work hard to improve resource utilisation rate in production and operations.

8.5.1 Water Management

At Joincare, we attach great importance to water management. To conserve water and reduce water consumption, we implement a strict water management policy and carry out group-wide water management improvement projects.

All our production subsidiaries are actively introducing and using advanced technologies and processes to conserve water and improve water use efficiency. We are strengthening the maintenance of various water-consuming equipment and facilities, investing in water resource recycling projects, and promoting the recycling of reclaimed water and cooling water. These efforts aim to reduce fresh water consumption and improve the reuse rate of water resources.

Table: Major water-saving projects of Joincare in 2023

Company Name	Project Name	Investment Amount	Result
Jiaozuo Joincare	Recycling and utilisation of reclaimed water	RMB4 million	After repeated testing, analysis, and experimental verification, Jiaozuo Joincare succeeded in recycling the water from the level-3 sedimentation tanks in the industrial wastewater workshops and the pickling wastewater from the refining plants. Through combined treatment, including classified collection, sedimentation and filtration, composite filtration, thorough removal of contaminants and secondary treatment with reverse osmosis membranes, the wastewater meets the standard for reuse. The project put into trial operation in March 2024. When completed, it will be able to recycle about 2,400 m ³ of water from the level-3 sedimentation tanks and 1,400 m ³ of pickling wastewater per day, achieving a recycling rate of 79% and reducing the daily wastewater volume by about 3,000 m ³ .
Xinxiang Haibin	Steam condensate reuse	RMB300,000	Xinxiang Haibin launched a steam condensate reuse project, using steam condensate for domestic use and irrigation. This saves 10,000 tonnes of water every year.
Jiaozuo Livzon	Steam condensate collection and reuse	RMB36,000	Jiaozuo Livzon launched a project of collecting and reusing steam condensate in the workshop. All steam condensate was reused or used as domestic water for employees, reducing the consumption of purchased tap water. The project can save 3,000 tonnes of water every year.
Livzon Hecheng	Water reuse with storage tanks and water pumps	RMB40,000	Livzon Hecheng installed storage tanks, heat exchangers, and water pumps and piping to return water to the storage tanks during spray cooling. After the water was cooled by the heat exchangers, it was pumped to the roof of the tank farm for cooling, thereby improving the utilisation of water resources. This can save 9,000 tonnes of water per year.

Table: Water resources usage of Joincare in 2023

Indicator	Unit	APIs	Formulations	Total
Total water consumption	10,000 tonnes	1,201.2	225.3	1,426.5

8.5.2 Material Utilisation Management

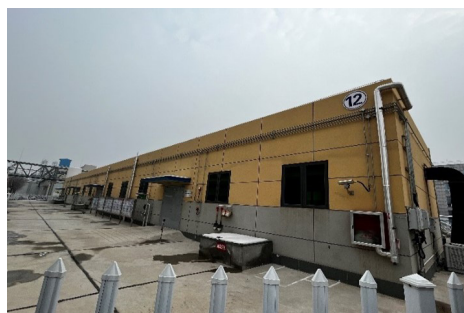
Joincare takes positive steps to implement the resource recycling policy and optimise material management for higher resource utilisation efficiency.

We optimise the layout of the storage area. The packaging materials and excipients are stored by area, layer and category to save storage space. We optimise the material transportation route to improve the utilisation of elevators and the efficiency of internal material transportation. In addition, we have improved the product packaging design and product specifications, and have been recycling consumables such as corner strips and packing belts used for packaging the finished products.

Case

Barreled material storage rooms at Haibin Pharma's off-site workshops

In 2023, Haibin Pharma invested RMB 1 million in off-site workshops to build four storage rooms for solid materials and barreled materials, with a total area of 800 square metres. The supporting facilities include the air supply system, ground protector, leakage collection basin, electrostatic discharge equipment and the like. They will help to reduce the safety risks and dust pollution caused by materials stacked in the open air and ensure that materials are stored in a safer and more environmentally friendly way.



Barreled Material Storage Rooms at Haibin Pharma's Off-site Workshops

The new solvent tank farm of Xinxiang Haibin

In 2023, Xinxiang Haibin invested about RMB 12.1558 million, to build a new solvent tank farm. The barreled solvent was changed to canned solvent to reduce the production of fugitive waste gas emissions and packaging waste, saving 38 tonnes of iron drums and 8 tonnes of plastic packaging each year.



The New Solvent Tank Farm of Xinxiang Haibin

8.6 Biodiversity Conservation

Business sustainability is inextricably linked to ecosystem health. Joincare pays great attention to the impact of its operations on biodiversity. We comply with the Law of the PRC on Prevention and Control of Soil Contamination, the Forestry Law of the PRC, the Law of the PRC on the Protection of Wildlife, the Regulations on Conversion of Farmland to Forests, the Opinions on Further Strengthening Biodiversity Protection, and other relevant laws and regulations. We also actively implement the UN Convention on Biological Diversity and promote biodiversity in many ways. We would identify environmental risk factors and hidden hazards before building factories. We meet the “ecological red lines” requirements and avoid operating in areas of high biodiversity value, such as those close to government-designated ecological reserves. At the same time, we encourage our production subsidiaries to conduct biodiversity assessments relevant to their operations to help protect endangered species and promote ecosystem balance.

During the year, Joincare had no production facilities or operational sites located within ecological reserves or areas of high biodiversity value. None of the Group's production activities, products or services had a significant impact on biodiversity.

Public Welfare and Charity

SDGs in this section



As a responsible enterprise, Joincare continues to pay attention to social needs in addition to its own business development. We actively participate in charitable and public welfare projects to create a better world with virtue. Relying on our business and technical advantages, we aspire to build a harmonious society. We take practical actions to support the healthy, green and sustainable development of the whole society. Specifically, we participate in industry exchanges, continuously promote the “Access to Public Welfare for Chronic Diseases Prevention and Treatment Programme” and rural industrial assistance projects, and organise a variety of health and public welfare activities for the public, to support the healthy, green and sustainable development for the whole society with practical actions.

9.1 Promoting Industry-Based Welfare

Joincare strives to be a pioneer in the healthcare industry. We actively participate in exchanges and cooperation with industry associations and societies on cutting-edge industry technologies and trends, to promote the sustainable development of the industry through joint efforts.

Table: Associations Joined by Joincare

No.	Associations
1	Medical and Chemicals Technical Options Committee (MCTOC)
2	Guangdong Pharmaceutical Industry Association
3	Guangdong Bio-Pharmaceutical Innovation Technology Association
4	Shenzhen Biomedical Industry Alliance
5	Shenzhen Life Science and Biotechnology Association
6	China Pharmaceutical Industry Association
7	Professional Committee of Drug Manufacturing Quality Authorised Person of Guangdong Pharmaceutical Association
8	China Nutrition and Health Food Association
9	China Health Care Association
10	Guangdong Food Safety Society
11	Guangdong IP Protection Association
12	Guangdong Forensic Science Association
13	Shenzhen Forensic Science Association

Dr. Jin Fang, the Chief Scientist of the Group, attended a number of international conferences as a member of Medical and Chemicals Technical Options Committee (MCTOC) under the United Nations, focusing on research and reporting related to MDI inhaler propellant substitution. As a subordinate institution of Technology and Economic Assessment Panel (TEAP), MCTOC conducts science and technology evaluation on materials that deplete the ozone layer and their alternatives in alliance with the other Technical Options Committees (TOCs). Based on this, MCTOC provides suggestions to parties who signed the Montreal Protocol, thus contributing to the fulfilment the obligations of Montreal Protocol worldwide.

The processes of R&D, production, and quality control of inhalation formulations, which is a high-end dosage form, have relatively large difference when compared to regular oral or injectable formulations. As a member of the Chinese Pharmacopoeia Commission, Dr Jin Fang leads the research project Revision of the General Rules for 0111 Inhalation Formulations for the revision of national drug standards. To further improve the on-site inspections of inhalation formulations, Joincare took part in the compilation of the Guideline for On-site Inspection of Inhalation Formulations. The compilation was led by Guangzhou Institute of Respiratory Health and approved by Centre for Food and Drug Inspection of NMPA. The guideline, which was officially launched on 6 March 2023, can help onsite inspectors identify the risk control points of inhalation formulations, conduct effective inspection, and ensure the quality and safety of inhalation formulations.

9.2 Promoting Health-Based Welfare and Charity

Rooted in the healthcare industry, Joincare continues to do its part in inclusive chronic disease prevention and treatment, industrial assistance, community health and earthquake relief, striving to build a healthy and harmonious society. In 2023, Joincare donated about RMB 25,985 thousand to public welfare projects, including cash of nearly RMB 19,762 thousand and goods worth about RMB 6,223 thousand.

9.2.1 Rural Revitalisation

Chronic Disease Prevention and Treatment

In response to the national strategy of rural revitalisation and common prosperity, Jincare, joined hands with the Group's holding subsidiary Livzon Group to carry on the long-term drug donation programme - "Access to Public Welfare for Chronic Diseases Prevention and Treatment Programme". We provided long-term assistance to patients with financial difficulties in remote areas who suffer from chronic diseases, such as hypertension, hyperlipidemia, cardiocerebral diseases and gastric diseases. We donated five drugs for treating chronic diseases, including Pravastatin Capsules (普伐他汀钠胶囊), Amlodipine Besylate Capsules (苯磺酸氨氯地平胶囊), Valsartan Capsules (缬沙坦胶囊), Isosorbide Mononitrate Tablets (单硝酸异山梨酯片) and Bismuth Potassium Citrate Tablets (枸橼酸铋钾片), to reduce the medical burden of chronic diseases on poor families and prevent patients from sinking back into poverty due to illness. At the same time, we actively carry out health-related and education-based public welfare activities to help chronic disease patients improve the knowledge in the prevention and control of chronic diseases and health management.

Since late 2018 onwards, we have carried out the "Access to Public Welfare for Chronic Diseases Prevention and Treatment Programme" successively in areas including Chaotian District, Guangyuan City, Sichuan Province; Songpan County, Aba Zang Qiang Autonomous Prefecture, Sichuan Province; Jinkouhe District, Jiange and Pingwu Counties, Leshan City, Sichuan Province; Hunyuan, Guangling and Lingqiu Counties, Datong City, Shanxi Province; Dongxiang, Tianzhu, Linze, Shandan and Huining Counties, Gansu Province; Xianghai National Nature Reserve, Jilin Province; Chayu County, Tibet Autonomous Region; Macun District, Jiaozuo City, Henan Province; Huangshan District, Huangshan City, Anhui Province; Suining County, Hunan Province; Fenyi County, Jiangxi Province; Kashgar, Xinjiang Uygur Autonomous Region; Baarin Left Banner and Togtoh County, Inner Mongolia Autonomous Region; and Ziyuan County, Guangxi Zhuang Autonomous Region. These are part of our efforts to benefit the public, protect the health of rural residents, revitalise rural areas, and build a beautiful and healthy China.



Programme on Chronic Diseases in Baarin Left Banner, Inner Mongolia



Programme on Chronic Diseases in Ziyuan County, Guangxi



Programme on Chronic Diseases in Huining County, Gansu Province

Case

Case: “Rural Revitalisation: Programme on Chronic Diseases” in Jinkouhe District, Sichuan Province

Jinkouhe District of Leshan City, located in the southwest of Sichuan Province and north of the Xiaoliang Mountain, was designated as a “Targeted Assistance County for Rural Revitalisation in Sichuan Province” in 2021. In September 2023, Joincare and its holding subsidiary Livzon Group launched the “Rural Revitalisation: Programme on Chronic Diseases” in Jinkouhe District, donating RMB 1 million worth of medicines to the local Red Cross. The donated medicines will be used free of charge by the District People’s Hospital to treat local low-income patients with chronic diseases, reducing their financial burden and life difficulties caused by long-term medication. This will further improve the health of local people and inject impetus to the local health cause.



“Rural Revitalisation: Programme on Chronic Diseases” in Jinkouhe District, Sichuan Province

By the end of the reporting period, we had signed 26 agreements on the “Access to Public Welfare for Chronic Diseases Prevention and Treatment Programme”, which covers 8 provinces and 4 autonomous regions, including 23 remote areas in need of aid, and benefiting 19,410 low-income patients with chronic diseases. In 2023, we donated RMB 1 million worth of chronic disease medicines to low-income patients in each of the following regions:

- In April 2023, the Group donated RMB 1 million worth of medicines to Kashgar, Xinjiang Uygur Autonomous Region;
- In June 2023, the Group donated RMB 1 million worth of medicines to Huining County, Gansu Province;
- In July 2023, the Group donated RMB 1 million worth of medicines to Baarin Left Banner, Inner Mongolia Autonomous Region;
- In July 2023, the Group donated RMB 1 million worth of medicines to Ziyuan County, Guangxi Zhuang Autonomous Region;
- In September 2023, the Group donated RMB 1 million worth of medicines to Jinkouhe District, Leshan City, Sichuan Province;
- In October 2023, the Group donated RMB 1 million worth of medicines to Shandan County, Gansu Province; and
- In October 2023, the Group donated RMB 1 million worth of medicines to Togtoh County, Inner Mongolia Autonomous Region.

During the year, the “Access to Public Welfare for Chronic Diseases Prevention and Treatment Programme” was highly recognised and awarded as “2023 ‘CSR Competitiveness’ Responsibility Typical Cases of ‘Contribution Enterprises in Rural Revitalisation’” by the China Business Journal and “Excellent Practice Cases of Listed Companies in Rural Revitalisation” by the China Association for Public Companies. These accolades demonstrate the high recognition and appreciation received from external organizations



China Business Journal
2023 “CSR Competitiveness” Responsibility Typical Cases of
“Contribution Enterprises in Rural Revitalisation”



China Association for Public Companies
Excellent Practice Cases of Listed Companies
in Rural Revitalisation

Industry-Based Assistance

To consolidate and expand the achievements in poverty alleviation, the Group provides industry-based assistance to empower the sustainable development of the rural economy using its industrial advantages. Following the “Astragalus Root (黄芪) Industry Revitalisation” plan and the model of “Company + Base” and “Company + Professional Cooperative”, Joicare’s holding subsidiary Livzon Group works to make the astragalus root industry a pillar industry in the long-term with reference to the local conditions.

Case

Industry-based assistance to promote the development of the astragalus root industry by Livzon Group

Since 2017, Livzon Group has been implementing the “Astragalus Root Industry Revitalisation” project. It has built astragalus root planting bases in Hunyuan County, Datong City, Shanxi Province and Zizhou County, Yulin City, Shaanxi Province. In 2023, Livzon Group re-signed the astragalus root planting base co-construction agreements with 12 cooperatives in Hunyuan, Tianzhen and Yanggao Counties, Datong City, Shanxi Province and Yulin City, Shaanxi Province, to build bases of about 20,000 mu. The project has helped in total of 415 people since 2017, effectively boosting the economic development of relevant rural areas.

In addition, Livzon Group and the village committee of Mazhuang Village, Guaner Township, Hunyuan County, Datong City, Shanxi Province jointly launched the “Co-construction between County and Corporate” project to repair and upgrade the factory for primary processing of fresh astragalus root. The project aims to repair and renovate the primary processing factory to meet the requirements of primary processing and storage of astragalus root. At the same time, Livzon Group provided GAP training for about 30 managers and local farmers of the base in Zizhou County, Yulin City, Shaanxi Province in accordance with the new Good Agricultural Practice for Chinese Herbal Medicine. It also conducted practical training on the traceability of Chinese herbal medicine to improve the professional competence of managers.

9.2.2 Community Health

Joincare commits itself to organising health-related and education-based public welfare activities through various channels, including videos, expert live broadcasts, lectures and free clinics. Through this kind of interesting and lively popularisation, we aim to enhance the public's health awareness.

Oral Health Education

To raise public awareness of oral health, Joincare, in collaboration with Peking Union Medical College Hospital and Peking University School and Hospital of Stomatology, conducted 22 online lectures on oral health and invited 123 doctors to release a total of 169 promotion videos. These efforts reached nearly 700 million people, strengthening public attention to oral health.



Oral Health Education

Know More about Menopause



Menopause Knowledge Promotion Video

Joincare is committed to correcting public perception of menopausal symptoms and working with expert doctors to spread menopausal health knowledge to the public through social media. In 2023, Joincare worked with 24 professional doctors to produce 28 popular science articles, which were viewed by over 50 million people.

“1018” World Menopause Day Activities

On 18 October 2023, Joincare launched a series of online and offline menopause care activities. We shared the secrets to living with menopause through a variety of innovative activities, including the release of online videos, offline collaborations with national pharmacy chains, bus tour and yoga.



“1018” World Menopause Day Activities

Experts' View on Menopause



Expert View on Menopause

Joincare launched a professional menopause column, Expert View on Menopause, which has a total of 150 thousand subscribers. By the end of the reporting period, we had cooperated with 47 medical experts and dietitians in various fields to organise 62 live sessions and 3 offline lectures, covering more than 100,000 viewers from a number of provinces across the country.

Case

“Inner Nourishment for Beauty, Nurturing Eastern Elegance” - Melasma removal Science Campaign

Melasma is a skin disease with increased pigmentation, usually found on the face. On average, 1 in 3 women of childbearing age in the country suffer from melasma. To educate the public about the symptoms and treatment of melasma, Joincare and the authoritative media Xinhua jointly launched the “Inner Nourishment for Beauty, Nurturing Eastern Elegance” activity to explain how to properly remove melasma. The activity was viewed over 100 million times and attracted more than 850,000 participants, promoting the culture of traditional Chinese medicine while popularising health knowledge.

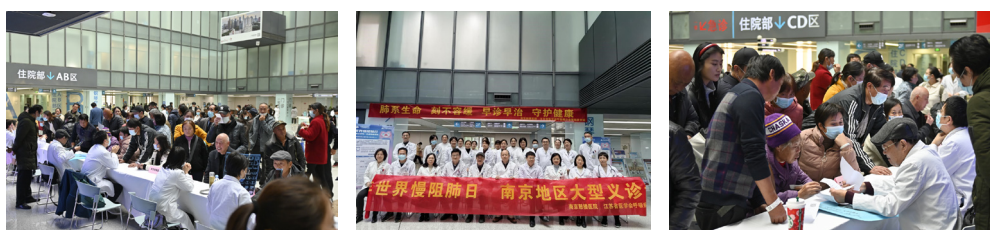


“Inner Nourishment for Beauty, Nurturing Eastern Elegance” - Melasma Removal Science Campaign

World COPD Day: prevention and treatment of chronic respiratory diseases with “Respiratory Experts' Views”

In cooperation with the Respiratory Society of Jiangsu Medical Association, Nanjing Drum Tower Hospital and 18 Grade-A tertiary hospitals in Nanjing, the Group launched a large-scale free clinic on World Chronic Obstructive Pulmonary Disease (COPD) Day in November 2023. A wide range of online and offline activities were carried out on the exclusive platform, “Respiratory Experts' Views”. Adhering to the principle of “public welfare for the good, and knowledge for the people”, we hope to do a good job of educating the public on respiratory diseases with partners from all walks of life. In this way, COPD can be understood and recognised by more people. We also aim to establish a coordinated system for the prevention and control of respiratory diseases throughout society, promoting the early prevention, screening, diagnosis and treatment of COPD to safeguard public health.

On the day of the activity, 100 people attended the on-site lecture, 300 people received free consultations, and over 250,000 viewers watched the live broadcast of the event online. This activity received on-site coverage from the provincial media in Jiangsu Province and received unanimous praise from the participants.



Large-Scale Free Clinic on World COPD Day

9.2.3 Earthquake Relief

Joincare is concerned about the health and safety of the public, and is committed to helping people in need and fulfilling its corporate social responsibility. In December 2023, a 6.2 magnitude earthquake struck Jishishan County, Linxia Hui Autonomous Prefecture, Gansu Province, causing severe impacts on the local economy and society. The Group responded quickly to the earthquake by providing relief and assistance to the people in the affected areas. Together with our holding subsidiary Livzon Group, we donated a total of RMB 20 million in relief funds and medical supplies to the affected areas. We contributed to the emergency relief, resettlement of the affected people, support for rescue teams and post-disaster reconstruction to help people through the difficult times.



Joincare Earthquake Relief in Gansu

9.3 Involvement in Public Welfare

In addition to leveraging its industrial advantages for public health, Joincare acts in line with the corporate culture of “Caring for people, Practicing public welfare”. In May 2023, we set up a volunteer team and called on more than 200 employees to join the team. Volunteer activities were carried out in a variety of areas such as environmental protection, public health, and rural revitalisation.

Environmental Protection

We support the construction of urban ecosystem and are committed to protecting the ecological environment. In 2023, our volunteer team participated in a litter picking activity themed “Ecological Conservation for a Shared Green Future” in Wutong Mountain, Shenzhen, alleviating the workload of the cleaners. By doing so, we advocate the reduction of uncivilised behaviour such as littering, and convey the spirit of a green civilisation to the public.



Litter Picking Activity in Wutong Mountain, Shenzhen

Caring for Children with Autism

Children’s physical and mental health should be a concern for all people. In November 2023, our volunteer team participated in the “5km Fun Run for Children of the Stars” to encourage children with autism and their families to take part in outdoor sports and enjoy the fun with the company of volunteers. We hope that through this activity, these children and their families will receive more love and care, and more people will care about, understand and help them, so that together we can create a harmonious and lovely society.◦



“5km Fun Run for Children of the Stars” Volunteer Activity

10

Data List of Key Performance Indicators

CSR indicator		Unit	2021	2022	2023
1 Environmental ⁶					
1.1. Emissions ⁷					
Waste Water Emission		Tonne	10,485,061.5	11,110,513.9	12,092,149.0
Chemical Oxygen Demand (COD _{Cr})		Tonne	984.4	1,029.4	995.2
Ammonia Nitrogen		Tonne	113.6	101.1	113.6
VOCs		Tonne	72.3	55.1	69.0
NO _x		Tonne	139.9	107.2	90.1
SO ₂		Tonne	48.7	33.5	34.6
Particulates		Tonne	27.2	19.2	16.0
Hazardous and Non-hazardous Waste					
Hazardous Waste		Tonne	5,791.5	6,410.1	6,884.2
Divided by Category	Pharmaceutical Wastes and Medicine Wastes	Tonne	3,034.9	3,352.9	3,792.2
	Other Hazardous Wastes ⁸	Tonne	2,756.6	3,057.1	3,092.0
Divided by Processing Method	Total Hazardous Waste Recycled/Reused	Tonne	/	/	742.2
	Total Hazardous Waste Disposed	Tonne	/	/	6,141.9
Industrial Waste		Tonne	145,628.8	151,323.1	141,539.1
Industrial Waste (Recyclable)		Tonne	/	/	48,400.0
Industrial Waste (Non-Recyclable)		Tonne	/	/	93,139.1
Greenhouse Gas Emissions					
Total Greenhouse Gas Emissions		CO ₂ equivalent (in tonnes)	1,005,579.8	1,037,613.6	1,033,000.9
Intensity of Greenhouse Gas Emissions ⁹		CO ₂ equivalent (in tonnes)/RMB 10,000	/	0.52	0.51

⁶Scope of environmental data disclosure: all the manufacturing enterprises of Joincare.

⁷Disclosure of major pollutants/emissions and related emission data according to the production characteristics of enterprises.

⁸Among other hazardous waste, high-level radioactive waste is included. This year, the amount of high-level radioactive waste is zero.

⁹The intensity in 2023 was calculated based on RMB 10,000 of output value.

CSR indicator	Unit	2021	2022	2023
Direct Greenhouse Gas Emissions (Scope 1) ¹⁰	CO ₂ equivalent (in tonnes)	201,234.8	202,473.9	162,677.0
Indirect Greenhouse Gas Emissions (Scope 2) ¹¹	CO ₂ equivalent (in tonnes)	804,345.0	835,139.7	870,323.9
1.2 Use of Resource				
Total Energy Consumption				
Gasoline	Litre	396,363.6	251,528.5	387,425.5
Diesel	Litre	386,903.8	196,825.5	261,122.8
Coal	Tonne	86,291.0	88,244.2	66,894.5
Natural Gas	10,000 cubic meters	949.6	858.3	1,093.9
Liquefied Petroleum Gas	Tonne	7.9	6.8	3.7
Purchased Steam	Tonne	880,288.5	932,444.1	1,605,949.6
Purchased Electricity	MWh	926,560.0	959,454.9	989,071.4
Biomass Fuels	Tonne	/	/	1,004.0
Direct Energy Consumption	MWh	/	611,129.2	506,554.7
Indirect Energy Consumption	MWh	/	1,682,747.5	1,787,199.0
Renewable Energy Consumption	MWh	/	1,320.8	5,708.2
Non-renewable Energy Consumption	MWh	/	2,292,555.9	2,288,045.4
Total Energy Consumption	MWh	/	2,293,876.7	2,293,753.6
Intensity of Total Energy Consumption ⁹	MWh/RMB 10,000	/	1.1	1.1
Water Consumption				
Total Water Consumption	10,000 tonnes	1,361.3	1,300.4	1,426.5
Intensity of Total Water Consumption ⁹	Tonne /RMB10,000	8.1	6.5	7.1
Recycled Water Volume	10,000 tonnes	/	13.8	9.2
Packaging Material Used				
Packaging Material Used	Tonne	/	14,570.6	9,236.3
Intensity of Packaging Material Used ⁹	Tonne/RMB 10,000	/	0.0073	0.0046

¹⁰Scope 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.), and the formula used is: CO₂ emissions from fossil fuel combustion = fuel consumption × low level heat generation × carbon content per unit of calorific value × fuel carbon oxidation rate × 44/12. The emission factor and the calculation refer to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Non-Industrial Enterprises (Trial) (《工业其他行业企业温室气体排放核算方法与报告指南（试行）》).

¹¹Scope 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. In 2021-2022, the power emission factor adopts the grid emission factor 0.5810 tCO₂/MWh in the Corporate Greenhouse Gas Emission Accounting Methodology and Reporting Guide for Power Generation Facilities (企业温室气体排放核算方法与报告指南发电设施) (Huan Ban Qi Hou [2021] No. 9). In 2023, the power emission factor adopts the grid emission factor 0.5703 tCO₂/MWh in the Notice on the management of greenhouse emission reporting for enterprises in the power generation industry from 2023 to 2025 (关于做好2023-2025年部分重点行业企业温室气体排放报告与核查工作的通知).

CSR Indicator		Unit	2021	2022	2023
2. Social Responsibility					
2.1 Employment					
Number of Employees: By Gender, Age Group, Geographical Region and Job Level					
Number of Employees		Person	13,234	14,116	14,365
Gender	Male	Person	7,044	7,531	7,788
	Female	Person	6,190	6,585	6,577
Age	30 and below	Person	4,393	5,026	4,900
	31-49	Person	8,042	8,204	8,536
	50 and above	Person	799	886	929
Geographical Region	Chinese Mainland	Person	13,218	14,097	14,348
	Hong Kong, Macao and Taiwan, China	Person	4	6	5
	Foreigners	Person	12	13	12
Job Level	President and Vice President (Executive Management)	Person	/	/	12
	General Manager Level and above (Senior Management)	Person	/	/	107
	Director Level	Person	/	/	252
	Manager Level	Person	/	/	1,143
	Other Employees	Person	/	/	12,863
Diversity of Employees					
Number of Women in Executive Management		Person	/	/	2
Share of Women in Executive Positions		%	/	26.7	16.7
Number of Women in Senior Management		Person	/	/	31
Share of Women in Senior Management Positions		%	/	/	29.0
Share of Women in Management Positions		%	/	34.2	35.4
Share of Women in Management Positions in Revenue-generating Functions		%	/	28.8	27.5
Share of Women in STEM-related Positions		%	/	55.5	53.7
Number of Ethnic Minority Employees ¹²		Person	/	784	789
Hiring					
Total Number of New Employee Hires		Person	/	4,351	3,999
Number of New Employee Hires by Gender and Age Group					
Gender	Male	Person	/	2,326	2,371
	Female	Person	/	2,025	1,628
Age	30 and below	Person	/	2,664	2,434
	31-49	Person	/	1,664	1,546
	50 and above	Person	/	23	19
Percentage of Open Positions Filled by Internal Candidates (Internal Hires)		%	/	14.4	18.9

¹²The largest three ethnic minorities of Joincare's workforce are Hui (1.67%), Zhuang (1.25%) and Tujia (0.50%), and the shares of Hui, Zhuang and Tujia in the management are 0.40%, 0.73% and 0.60%.

CSR Indicator		Unit	2021	2022	2023
Percentage of Internal Hires by Gender and Age Group					
Gender	Male	%	/	54.1	55.7
	Female	%	/	45.9	44.3
Age	30 and below	%	/	27.9	34.1
	31-49	%	/	70.5	62.8
	50 and above	%	/	1.6	3.1
Years Employed by the Company					
Average Years Employed by the Company for Male Employees		Year/Person	/	8.2	7.4
Average Years Employed by the Company for Female Employees		Year/Person	/	6.4	6.3
Group's Turnover Rate ¹³					
Overall Employee Turnover Rate		%	12	12	12
Including: Active Employee Turnover Rate		%	12	12	12
Employee Turnover Rate by Gender, Age Group					
Gender	Male	%	/	10	11
	Female	%	/	11	14
Age	30 and below	%	/	13	16
	31-49	%	/	9	10
	50 and above	%	/	6	4
Employee Engagement Survey					
Employee Engagement		%	/	87	90
2.2 Health and Safety					
Number of Work-related Injuries					
Number of Work-related Fatalities for full-time employees		Person	0	0	0
Days Lost due to Work-related Injuries- Full-time employees		Day	133	214	98
Lost-Time Injury Frequency Rate (LTIFR)- Full-time employees		Number of Injuries/ Million Hours Worked	/	0.25	0.16
Number of Work-related Fatalities for Contractors		Person	/	0	0
Days Lost due to Work-related Injuries - Contractors		Day	/	0	0
Lost-Time Injury Frequency Rate (LTIFR) - Contractors		Number of Injuries/ Million Hours of Works	/	0	0

¹³In order to better demonstrate the Group's human resource management and ensure the consistency of the calculation of internal management and external disclosure, the calculation of the turnover rate in 2023 directly adopted the methodology used by the Group's human resources management, i.e. the number of employee resigned was equal to the number of permanent employees who voluntarily resign. Due to the different calculation method of the overall employee turnover rate in 2021 and 2022, we made retrospective adjustments to the 2021 and 2022 turnover rate in the current year, so that the employee turnover rate from 2021 to 2023 would be calculated on the same basis, to ensure that the data are continuous and comparable.

CSR Indicator		Unit	2021	2022	2023
2.3 Training and Development					
Total Training Percentage for Employees		%	/	/	100
Total Training Hours for Employees		Hour	1,027,812	895,409	975,834
Training Hours for Male Employees		Hour	561,602	474,502	531,945
Training Hours for Female Employees		Hour	466,210	420,908	443,889
Average Training Hours per Employee		Hour/Person	77.7	63.4	67.9
Average Training Hours per Employee by Gender and Age Group					
Gender	Male	Hour/Person	79.7	63.0	68.3
	Female	Hour/Person	75.3	63.9	67.5
Age	30 and below	Hour/Person	/	63.3	85.2
	31-49	Hour/Person	/	63.7	58.5
	50 and above	Hour/Person	/	61.6	63.5
Average Training Hours of Employees in Management Training		Hour/Person	/	/	19.0
Average Training Hours of Employees in Leadership Training		Hour/Person	/	/	27.3
Percentage of Successful Succession/Promotion to Management Positions		%	/	/	14.5
Average Amount Spent per Employee on Training		RMB/Person	/	323.7	406.9
2.4 Product Responsibility					
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
Number of Products and Service Related Complaints Received					
Product-related Complaints		Time	/	92	147
Medication Queries		Time	/	20	17
2.5 Business Ethics					
Number of Brought and Concluded Legal Cases Regarding Corrupt Practices		Case	0	0	0
Number of Breaches on Conflicts of Interest		Case	0	0	0
Number of Breaches on Money Laundering or Insider trading		Case	0	0	0
Number of Breaches on Customer Privacy Data		Case	0	0	0
Number of Breaches on Discrimination or Harassment		Case	0	0	0
2.6 Public Welfare Projects					
Resource Contributed to the Focus Areas					
Financial Donation		RMB 10,000	2,045.6	569.9	1,976.2
Value of Donated Goods		RMB 10,000	864.5	641.8	622.3