



2024

Sustainability Report

ZHENDE MEDICAL CO., LTD.



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About This Report

This report is the third Sustainability Report of Zhende Medical Co., Ltd., which discloses to investors, clients, employees, suppliers and other stakeholders the Company’s philosophy, established management methods, implemented work, and achieved results in terms of sustainable development topics in its operations.

Report Scope

The scope of this report covers Zhende Medical Co., Ltd. and its subsidiaries (referred to as “Zhende Medical”, “Zhende”, “the Company” or “we”). Unless otherwise specified, the scope of this report is consistent with that of consolidated financial statements for the same period of Zhende Medical (stock code: 603301.SH).

Report Period

This report covers the period from January 1, 2024 to December 31, 2024. Unless otherwise specified, the data in this report come from this period.

Preparation Basis

This report is based on the Self-Regulatory Guidelines No. 14 for Companies Listed on Shanghai Stock Exchange—Sustainability Report (For Trial Implementation) (2024), and has been prepared with reference to the United Nations Sustainable Development Goals (SDGs). The preparation process conforms to the GRI Standards (2021).

Report Preparation Principles

This report is prepared in accordance with the principles of materiality, accuracy, balance, clarity, quantification, comparability, completeness, timeliness, and verifiability. It is approved for release by Zhende’s Board of Directors on April 24, 2025. The Board of Directors guarantees that the content of the report is free from false records, misleading statements, or significant omissions. This report is published in Simplified Chinese and English. Any inconsistency between the Chinese and English expressions shall be subject to the Chinese version.

-Materiality

The Company has identified operation-related material topics that are of concern to various stakeholders as the focus of this report. In this report, the Company’s industry and business operation characteristics are also taken into consideration while material topics are reported. The materiality analysis process of topics and results are detailed in the “Material Topic Analysis” section of this report.

-Accuracy

Efforts have been made to ensure the information in this report is accurate to a maximum extent. Among them, the measurement of quantitative information has accounted for the data scope, calculation basis and assumed conditions so as to ensure that the calculation error range will not trigger misleading effects on information users. Quantitative information and annotated information are detailed in the ESG Performance Table section of this report.

-Balance

This report reflects objective and true facts, and makes objective disclosure of positive and negative information regarding the Company. No negative events were found during the reporting period that should have been disclosed but were not disclosed.

-Clarity

This report is released in Simplified Chinese. Information such as tables and models in this report is to help stakeholders better understand the text of this report.

-Quantification

This report covers key quantitative disclosures and discloses historical data to the maximum extent.

-Comparability

The statistics and disclosure methods of the same quantitative disclosure items in various reporting periods shall be consistent in this report. In the event of any change in the data collection, measurement and calculation methods, the Company shall make retrospective adjustments to relevant data, and present the situations and reasons for such adjustments in the notes to the report, so that stakeholders can perform meaningful analysis and evaluate the development trend of the Company’s ESG data.

-Completeness

The scope of disclosure in this report is consistent with that of the Company’s consolidated financial statements.

-Timeliness

This report is an annual report and shall be released by the Company as soon as possible after the end of the reporting year, aiming to provide timely information for stakeholders to make decisions.

-Verifiability

The cases and data in this report come from the original records or financial reports of the Company in its actual operation process. The data source and calculation process disclosed by the Company can be traced to support external assurance and inspection.

Data Description

The financial data in the report are all in RMB. If the financial data is inconsistent with the Zhende’s annual financial report, the annual financial report shall prevail.

○ Report Acquisition

This report is released in electronic form on information disclosure platforms designated by the stock exchange, and can be viewed on or downloaded from the Company's official website (<http://www.zhende.com>).

○ Contact Us

If you have any suggestions for the report, you can reach us through the following ways:

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About Zhende Medical

Company Profile

Zhende Medical, established in 1994, is an A-share listed company in China (stock code: 603301. SH). It is headquartered in Shaoxing City, Zhejiang Province. The Company has become one of China's leading manufacturers of medical dressings and infection site control and protection products and one of top 100 medical technology enterprises, whose scope of businesses and services covers 34 provinces of China, and over 70 countries and regions.

Zhende's products have been certified by the Food and Drug Administration (FDA), the Communate Europpene (CE), Medical Device Single Audit Program (MDSAP), ISO 13485 Quality Management for Medical Devices, and the National Medical Products Administration (NMPA) of China. Our product line covers different usage scenarios such as compression treatment & fixation, traditional wound care, operating room infection control, basic care, isolation protection, pressure therapy and venous thromboembolism (VTE) prevention, stoma care, advanced wound care, personal healthcare, rehabilitation care, and intravenous therapy.



Honors in 2024

Honors and Recognitions		
2024 CPEO Gold Award	The 2024 10th China's Top 100 Most Influential Pharmaceutical Enterprises Ranking	2024 Global MedTech TOP100
2024 Top 500 Chinese Manufacturing Enterprise in Charity and Public Welfare	China Healthcare Growth Ranking (HGR)-Top 100 Listed Medical Device Manufacturers	China Times -Wind ESG Dandelion 50 Index
List of 5G Factories in 2024 by the Ministry of Industry and Information Technology	2024 Global Zhejiang Business ESG Classic 100 Ranking	2024 Top 3 A-share Listed Companies in the Healthcare Industry for ESG Performance
Best Employer Brand Practice Award	2024 Zhejiang Provincial-level Industrial Internet Platform	"Green Factory" in Henan Province "Provincial Smart Factory" in Henan Province

Company Events in 2024

Participation in EcoVadis Ratings

EcoVadis ratings have established our prominent position in sustainable development goals and performance in the industry. The Company earned a silver medal in its first participation in the EcoVadis rating. The Company scored 74 points, ranking in the top 6% of all participants.

ZHENDE MEDICAL CO LTD (GROUP)

China | Manufacture of medical and dental inst...
Company size: L | Assessment scope: Group

Overall score
74/100
Percentile
94th



Release of the 2030 Carbon Path Plan

Zhende Medical has actively responded to the challenge of global warming and formulated a climate transformation strategy in line with the climate control goals of the Paris Agreement. The Company has joined the Science Based Targets initiative (SBTi), and proactively completed the scope III-carbon verification according to the SBTi standards after joining, and released a carbon path plan for 2030.



**SCIENCE
BASED
TARGETS**

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Full development of renewable electricity

In 2024, Anhui Base and Kenya Base Phase I were put into operation, and Xuchang Base was expanded. The Company also planned for the construction of Shaoxing Phase II and Jiangsu Huaian base photovoltaic projects. Our objective is to use renewable electricity by more than 30% by 2028.



Energy conservation and emission reduction

We invited a third-party agency to make an overall energy diagnosis of each factory, aiming to achieve the Company's goal of a 15% reduction in energy consumption through energy efficiency inspection, the launch of 33 emission reduction projects, energy transformation and energy efficiency enhancement.



Caring teenagers in Kenya

Jointly funded by Zhende Medical and Yi-nergy Minority Assistance Foundation, and jointly launched by Tsinghua University and IHEA, a local NGO. The project aims to enhance the health level of Kenyan adolescents and mitigate health risks through innovative educational means.



Full coverage of ISO 14001 and ISO 45001 in the factory

All the production factories of the Company have passed ISO 14001/45001 system certification, helping the Company to enhance the overall management and corporate image.



Low-carbon action

The Company organized various forms of low-carbon actions, including the procurement of low-carbon office supplies, low-carbon meals, restricted and reduced use of plastics, garbage sorting and low-carbon travel, contributing to a positive low-carbon atmosphere in the Company.



Green factory

Following Xuchang Zhengde, Xuchang Zhende upheld the concept of green and environmental protection, actively practiced the goal of "carbon peaking and carbon neutrality", and established a comprehensive green development path in various aspects such as green design, green manufacturing, green management and green standards. In 2024, it won the honorary title of "Green Factory" in Henan Province again.



Provincial Smart Factory

With digital and intelligent construction, Xuchang Zhende achieved the human-machine coordination and cooperation, realized the new mode of data-driven industrial transformation and upgrading with new capacity building as the main content, and won the honorary title of "Provincial Smart Factory" in Henan Province in 2024.



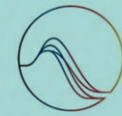
Caring EB babies

Jointly launched by Zhende Medical and Shanghai Debra Butterfly Baby Care Center, Butterfly Baby Care public welfare project of "Touch life stay caring" provides economic supports and medical care products for EB patients, and is also committed to raising public awareness and understanding of EB disease.



Commitment to Sustainable Development

WE SUPPORT



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



ISO45001



ISO 50001
ENERGY MANAGEMENT

Message from the Chairman



After thirty years of efforts,
embark on the path of
high-quality development
through ESG

In 2024, Zhende Medical reached an important milestone, celebrating its 30th anniversary. This year, we have embraced change and made significant strides, firmly embarking on a path of compliance management and high-quality, sustainable development. In the face of multiple challenges, including the deepening of centralized procurement, pressure from overseas expansion, and the technological revolution within the medical industry, Zhende Medical has focused on internal growth. We have adhered to innovative business models, accelerated the global supply chain layout, fostered technological innovation, and committed to energy conservation and emission reduction—all with the goal of making healthy living more accessible. By staying true to our core values and putting in the hard work, we have driven the comprehensive upgrade of our ESG management, shifting from risk management to compliance management, and from non-financial performance to long-term financial performance.

Integrating ESG concept into the strategy and

practising sustainable development

Over the past year, Zhende Medical has deeply integrated the ESG concept into its corporate strategy and operations, continuing to create a positive impact on both the environment and society. As a member of the United Nations Global Compact (UNGC), we have actively fulfilled our responsibilities, fully participated in the UNGC Global Action Plan, and engaged in discussions and practices on key sustainable development topics. Guided by our core mission of "Ensure medical safety and reduce healthcare cost," we have strictly adhered to the ten principles of the UNGC, promoted green and low-carbon production models, strengthened supply chain management, and advanced the integration of environmental protection and social responsibility.

Enhancing climate action and implementing the strategy of "carbon peaking and carbon neutrality"

We actively responded to the national strategy of

"carbon peaking and carbon neutrality," developed green development plans, set carbon reduction targets, and committed to the Science-Based Targets initiative (SBTi), demonstrating our strong determination to reduce emissions. Through energy conservation and emission reduction efforts, the adoption of photovoltaic energy, and the development of low-carbon green materials and products, we contributed to the green and low-carbon transformation of the industry. Additionally, we empowered upstream and downstream enterprises, driving energy conservation and emission reduction throughout the entire supply chain, and playing our part in the global fight against climate change.

Establish an outstanding team through organizational optimization and cultural empowerment

We continued to focus on organizational optimization and cultural empowerment, reshaping our organizational structures through digital processes and establishing a learning-driven, innovative team. With development plans such as "Xinying, Qihang, Ruihang, and Linghang," we nurtured a diverse range of talent, including compound, business, and specialized experts. Additionally, we launched the "5x1" corporate culture project for senior managers, creating a vibrant talent hub through multiple initiatives and at various levels. Upholding the core values of "Customer first, Transformation&Innovation, Success-sharing," we fostered leadership, business acumen, product strength, marketing capabilities, and manufacturing excellence, all of which contributed to advancing management excellence.

Quality first, intelligent manufacturing paving the way for the future.

As the most trusted partner in healthcare, we have established a robust product quality inspection system, adhering to global certifications and Cpk standards to ensure that every product withstands the test of time and meets our clients' needs. Leveraging intelligent manufacturing and automated production, we have achieved smart operations, efficient maintenance, and sustainable production in our factories. This enables us to respond swiftly to customer demands while delivering safe and effective products for patients and healthcare professionals.

Carrying out public welfare activities to fulfill corporate social responsibility

We have actively participated in public welfare initiatives and fulfilled our corporate social responsibility. In 2024, we launched the Butterfly Baby and AFYA KESHO projects, which received widespread praise from users both domestically and internationally. We believe that public welfare activities not only serve as a bridge to convey love and care, but also act as a channel to plant seeds of hope, allowing more people to experience warmth and strength.

Grateful for your partnership and work together to create a brighter future

As we reflect on this year, we sincerely thank our partners, healthcare professionals, and consumers for their unwavering support. Zhende Medical will always remain your most reliable partner.

Looking ahead, Zhende Medical will join hands with our customers with unwavering confidence and determination to create even greater milestones on our new journey. We are committed to energy conservation and emission reduction, increasing the use of green energy, enhancing circular economy efficiency, and driving technological innovation. We will focus on reducing carbon emissions, deepening our presence in the healthcare sector, strengthening international cooperation, and enhancing our core competitiveness. In doing so, we aim to provide more advanced, high-quality medical and healthcare products and services to global customers.

—Lu Jianguo, Chairman of Zhende Medical

Performance for Sustainable Development in 2024

Reform and Innovation

Proposals were improved

5,121

Standard formulas were developed

5,650

TPI projects were completed

113

RMB of costs were saved

16.475 million

People participated in improving the proposals

6,800

Improvement of process management proposals

A total of proposals were collected

74

Intangible gains evaluated RMB

4.71 million

Caring for Employee Growth

Female employees accounted for

66.12%

New employee satisfaction rate reached

94%

Employee net promoter score (ENPS) was

75.55

The coverage of employees receiving training was

100%

The average training time per employee was

64.9 hours

The work-related injury rate per one thousand employees was

0.38

Working days lost due to work-related injuries

117 days

A total of employees were sponsored

44

With a subsidy amount of

196,000 RMB

Scholarships were granted to a total of employees' children

36

Promoting Green Development

Annual R&D investment was RMB

135.49 million

The annual expenditure on environmental protection investment reached RMB

11.778 million

The use proportion of renewable electricity was

20%

The percentage of recycled water is

52.05%

The proportion of environmentally friendly packaging materials used in finished products reached

68%

The total amount of waste recycled was

4,237.38 tons

Zhende was granted **9** Class II medical device product registration certificates and **28** patents for invention

Total greenhouse gas emissions (Scope 1 + Scope 2) was

90,458.26 tons of CO₂ equivalent

Being a Reliable Partner

Domestic market customer net promoter score was

84.27

Foreign market customer net promoter score was

53

Zhende participated in the formulation (revision) of 12 group standards

12

Environmental and social risk survey was conducted on suppliers

762

Employees participated in voluntary activities

334

The total duration of employee volunteer service was

2,004 hours

Total amount donated RMB

2.30 million



振德醫療用品股份有限公司
ZHENDE MEDICAL CO.,LTD.

Sustainable Development Management



- Integrate ESG concepts into the Company's strategic operations from risk compliance to value creation;
- Implement the dual-carbon strategy, commit to SBTi, and release a carbon path plan for 2030;

Sustainable Development Management Strategy - We Care

The philosophy of sustainable development of Zhende Medical originates from its mission and vision. We believe that integrating the philosophy of sustainable development into Zhende's operations will help us grow steadily and constantly into the future. Based on its own business, the SDGs and the global governance philosophy proposed by the Chinese government, Zhende Medical developed an ESG policy that included three major strategies: "Caring for employee growth Promoting green development Being a reliable partner".



Management Structure and Responsibilities of Sustainable Development

In order to further boost the integration of ESG policy into the corporate strategy, the Company has set up a top-down ESG management organizational structure to further optimize relevant management processes. The construction of the Company's ESG management system is overseen by the Board of Directors as the top governing body, and is carried out by the ESG Management Committee. The Company's ESG Office, as a standing office, coordinates related management, communication and disclosure, and establishes a long-term management mechanism. The ESG Office regularly reports to the ESG Management Committee on progress and receives guidance from it.

The top governing body The Board of Directors	<ul style="list-style-type: none"> The Board of Directors is a top ESG governing body of the Company; the Strategic Committee of the Board, on behalf of the Board, is responsible for making ESG management decisions, reviewing sustainable development strategic plans, determining ESG risks, and reviewing the information to be disclosed to the public.
Decision-making body ESG Management Committee	<ul style="list-style-type: none"> The ESG Management Committee is chaired by the CEO, participates in the deliberation and decision-making of major ESG topics, and provides decision-making support for ESG related matters.
Executive office ESG Office	<ul style="list-style-type: none"> The ESG Office includes relevant leaders of the Group with the Vice President of the Group acting as the Executive Director, and is responsible for planning, executing, and monitoring ESG work.
Executing agency Each department and production base	<ul style="list-style-type: none"> Implement relevant ESG management measures in accordance with the requirements of the ESG Office.

The long-term sustainable development of the Company is closely linked with its social responsibilities. Zhende Medical profoundly realizes that only by deeply integrating the ESG concept into its corporate strategies and daily operations can it achieve both economic and social benefits. During the reporting period, the Company conformed to the trend of the times, and took initiative in making reforms. Specifically, we developed and issued the *Management Manual for Social Responsibilities* for all bases around the world as a profound practice and specific action guideline for the Company's commitment to sustainable development, demonstrating our forward-looking vision and management initiative as an industry leader, and responding to social expectations with our practical actions.



“I'm well aware that sustainable development is not only the responsibility of the Company, but is also the future competitiveness. We are actively boosting the transformation from risk operations to compliance operations, deeply integrating ESG into the corporate strategy and routine operations. Through the establishment of a sound compliance system, we can proactively identify and respond to potential risks, and enhance the anti-risk capability of enterprises. We are no longer limited to short-term non-financial metrics, but attach significance to long-term financial value creation. We believe that only through combination of social responsibility and economic benefits we can achieve true sustainable development and provide lasting value for our shareholders, employees and society.”

— Lu Jianguo, Chairman of Zhende Medical

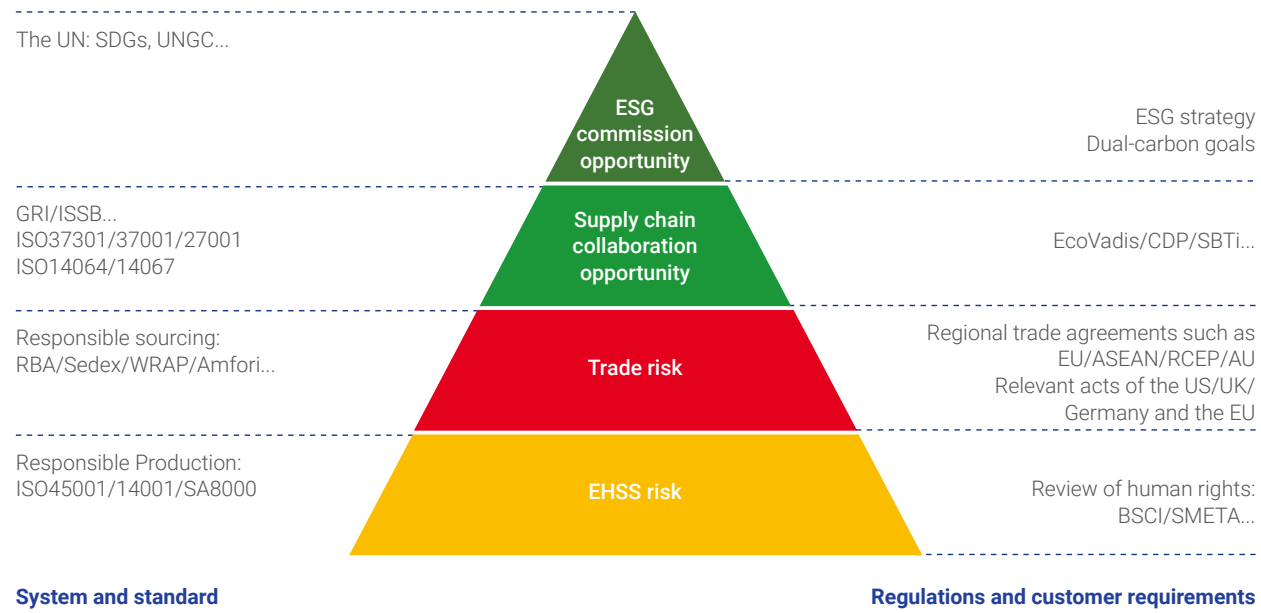
Progress in Sustainable Development Management

— Progress in achieving ESG management goals in 2024 —

ESG Strategy and Responses to SDGs	Key dimensions	2030 Goals Committed	Key Actions in 2024	Performance in 2023	Progress in 2024	Business Trends
<div>ESG Strategy and Responses to SDGs</div> <div>Caring for Employee Growth</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>	Health and safety	100% of the factories maintained ISO 45001 system certification	Established ISO45001 occupational health and safety management system Implemented safety production responsibility system and signed target responsibility statements at every level Made comprehensive identification, assessment, control and updating of hazard sources Provided EHS theme training for all employees Conducted EHS quarterly audit and improvement Made EHS regular meetings and management improvement Carried out QIT and KYT activities extensively	Three new subsidiaries passed the ISO 45001 occupational health and safety certification.	100%	↑
		The work-related injury rate per one thousand employees was less than 0.5		0.45	0.38	↓
	Employee rights and benefits	The proportion of female senior executives (above the level of director) reaches 20%	Made 'Five Must Visits' Established employee communication channels such as trade union, workers' congress and general manager mailbox Cared for employees in need and established a mutual assistance fund Made surveys on employee satisfaction and employee engagement Established a comprehensive remuneration and reward system Formulated diversified inclusion policies and promoted the SA system across the Group Developed employee rights protection policy and implemented EcoVadis rating activities	23.8%	26.3%	↑
		Employee NPS is greater than 70		69.33	75.55	↑
	Growing together	The average training time of employees is greater than 60 hours	Continued to promote organizational and talent development Made talent review and established a job qualification system Established specific, transparent and smooth dual channels for career development Established a panorama of talent training and development Established a process-based curriculum system Established a tutorial system and a job rotation system Encouraged employees to rotate across functions and fields Supported employees to enhance their academic background and skills certification Continued to improve E-learning platform Continued to promote lean ratings, processes and Six Sigma Green Belt and black belt certification	64.77hours	64.9hours	↑
<div>Promoting Green Development</div> <div>6 CLEAN WATER AND SANITATION</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div>	Environmental responsibility management	All factories pass the ISO 14001 certification	Established an ISO 14001 environmental management system Performed up-to-standard wastewater discharge and gas emission Performed compliant disposal of waste Organized emergency exercises for environmental emergencies	66.67%	100%	↑
	Innovation and green product development	The proportion of environmentally friendly packaging materials used in finished products exceeds 80%	Continued to promote product innovation and sustainable materials development through IPD The efficiency of using resources was enhanced by recycling waste heat and energy, replacing energy-saving equipment, optimizing production process and recycling waste water. ISCC PLUS certification ISO 14067 carbon footprint certification Made lightweight and green upgrading of packaging and continued to purchase sustainable packaging (with FSC certification, etc.) Established an EUDR team and guarded against deforestation risks in operation	65%	68%	↑

ESG Strategy and Responses to SDGs	Key dimensions	2030 Goals Committed	Key Actions in 2024	Performance in 2023	Progress in 2024	Business Trends
<div>Promoting Green Development</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div>	Climate change mitigation and adaptation	The Company plans to join the SBTi and will set target values based on the goals established by the SBTi	Carried out carbon verification for factories based on ISO 14064 standards Fully promoted low-carbon concepts and activities Reduced greenhouse gas emissions by implementing the measures such as policy formulation and investment in energy-saving equipment Further reduced emissions through the construction and expansion of photovoltaic, biomass power generation, and geothermal renewable energy utilization projects Made climate risk and opportunity analysis and actively carried out response measures, and committed to advancing the SBTi at the board level	Total greenhouse gas emissions (Scope 1 + Scope 2) decreased by 8.3% compared to the previous year.	Committed	↑
		Renewable electricity accounts for over 30% of total electricity consumption		11.1%	20%	↑
<div>Being a Reliable Partner</div> <div>1 NO POVERTY</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>4 QUALITY EDUCATION</div>	Customer and product responsibility	100% maintained ISO13485 system certification Passed CE/FDA certification as required	Products passed ISO 13485, CE, FDA and other domestic and overseas system certification Established a code of business conduct Continued to improve the "1 CARE" process Enhanced customer satisfaction through end-to-end process improvement	100%	100%	↑
		Customer net promoter score		International market: 52.8 Domestic market: 83.9	International market: 53 Domestic market: 84.27	↑
	Assisting Industry development	Environmental and social risk research covers all key suppliers	Established a supplier code of conduct and made responsible procurement Developed various academic exchange activities Carried out various kinds of school-enterprise cooperation Participated in the formulation of national, industry and group standards Carried out various association activities	80%	88%	↑
	Social contribution	External donations are made annually	Provided support for employment of people in the places of operation and contributed to local economic development; Formulated public welfare and charity-related management systems, and organized various types of public welfare, charity and community volunteer service activities; Established factories overseas, thus promoting employment in less-developed regions Actively organized public welfare donations to other regions or countries	RMB 3.25 million	RMB 2.30 million	↓

— ESG Implementation Strategy Diagram —



Stakeholder Engagement

Stakeholder Communication

Zhende Medical expects to establish a long-term mutual-trust relationships with its stakeholders. With a regular communication mechanism with stakeholders, it aims to gain a deeper understanding of their opinions, needs, and expectations on the Company. We maintain two-way communication with relevant parties and respond to their focuses in the field of sustainable development.

Main Stakeholders	Topics of Concern	Communication Methods/Channels
 Government and regulatory agencies	<ul style="list-style-type: none">• Anti-corruption and business ethics• Emissions and waste• Environmental management system	<ul style="list-style-type: none">• Legal operation• Compliant tax payment• Anti-corruption mechanism• Inspection by leaders and supervision authorities• Responding to government policies• Participation in government projects
 Institutional investors and individual shareholders	<ul style="list-style-type: none">• Protection of investors' rights and interests• Corporate governance• R&D and innovation• Intellectual property protection	<ul style="list-style-type: none">• Exchanges' information disclosure platform• Disclosure of periodical reports and official website information• Investors exchange conference• Investors hotline• Company visit• General Meeting of Shareholders
 Customers and consumers	<ul style="list-style-type: none">• Product quality and safety• Customer service• Data security and privacy protection• Anti-unfair competition• Climate change mitigation and adaptation• Water resource utilization• Energy utilization• Green packaging	<ul style="list-style-type: none">• Customer satisfaction survey• Professional customer service team• Email and service hotline• Customer complaint channels• Customer visit
 Partners	<ul style="list-style-type: none">• Anti-commercial bribery and anti-corruption• Sustainable supply chain• Industry exchange and cooperation	<ul style="list-style-type: none">• Industry events (exhibitions, seminars, etc.)• Industry-university-research cooperation• Supplier conference
 Employees	<ul style="list-style-type: none">• Employee training and development• Employee rights and benefits• Occupational health and safety	<ul style="list-style-type: none">• Internal mail• Internal communication platform• Employee complaint channels• Employee training• General meeting of worker representatives• Employee care mechanism (Mutual Aid Foundation, Talent Scholarship, etc.)
 Community and the public	<ul style="list-style-type: none">• Community communication and development• Medical accessibility• Emissions and waste• Green packaging• Ecosystem and biodiversity protection	<ul style="list-style-type: none">• Volunteer service activities• Public welfare projects• Company website and self-media• Inclusive products

Analysis of Material Topics

The identification of material topics serves as an important link of the Company's ESG management, which helps the Company to identify the key focus areas and determine the ESG strategic planning and work priorities. In 2024, the Company made a "double materiality identification and analysis" on sustainable development topics by referring to domestic and overseas sustainable development standards¹. While focusing on the significant impact of the performance of the corporate topics on the economy, society and environment, the Company also took into consideration the expected impact of the topics on the Company's finance in the short, medium and long term.

— Double Materiality Assessment Process —

Understand the background of corporate activities and business relations	<ul style="list-style-type: none">By interpreting the Company's value chain, domestic and overseas sustainable development standards (including but not limited to stock exchange information disclosure requirements, international GRI standards, and international sustainable Financial Standards SASB standards), understand the Company's sustainable development background, and identify and understand the affected stakeholders.
Establish a list of topics	<ul style="list-style-type: none">Make preliminary identification and screening of relevant sustainable development topics in conjunction with standard benchmarking, policy analysis and peers benchmarking, and analyze the actual and potential impacts, risks and opportunities in respect of sustainable development topics.
Assess the materiality of topics	<ul style="list-style-type: none">Assessment of impact materiality By inviting external experts and communicating with stakeholders, it's evaluated from the two dimensions of "impact severity" (impact scale, scope and irremediability) and "impact possibility", contributing to an impact materiality matrix.Assessment of financial materiality Communications with members of the Board of Directors, senior executives and representatives of shareholders or institutional investors of the Company are organized by means of on-site interviews and questionnaire survey; the assessment is made with reference to internal and external expert opinions from the two dimensions of "possibility of impact occurrence" and "degree of financial impact", contributing to the formation of financial materiality matrix.Summary of double materiality results The unified calculation is made of the impact and financial materiality of topics, forming the double materiality matrix. In addition, the boundary of the material topics is defined.
Deliberation and confirmation of topics	<ul style="list-style-type: none">Subject to the deliberation and confirmation by the Company's Board of Directors, the reports gave the key disclosure of topics of higher materiality in 2024.

Notes:

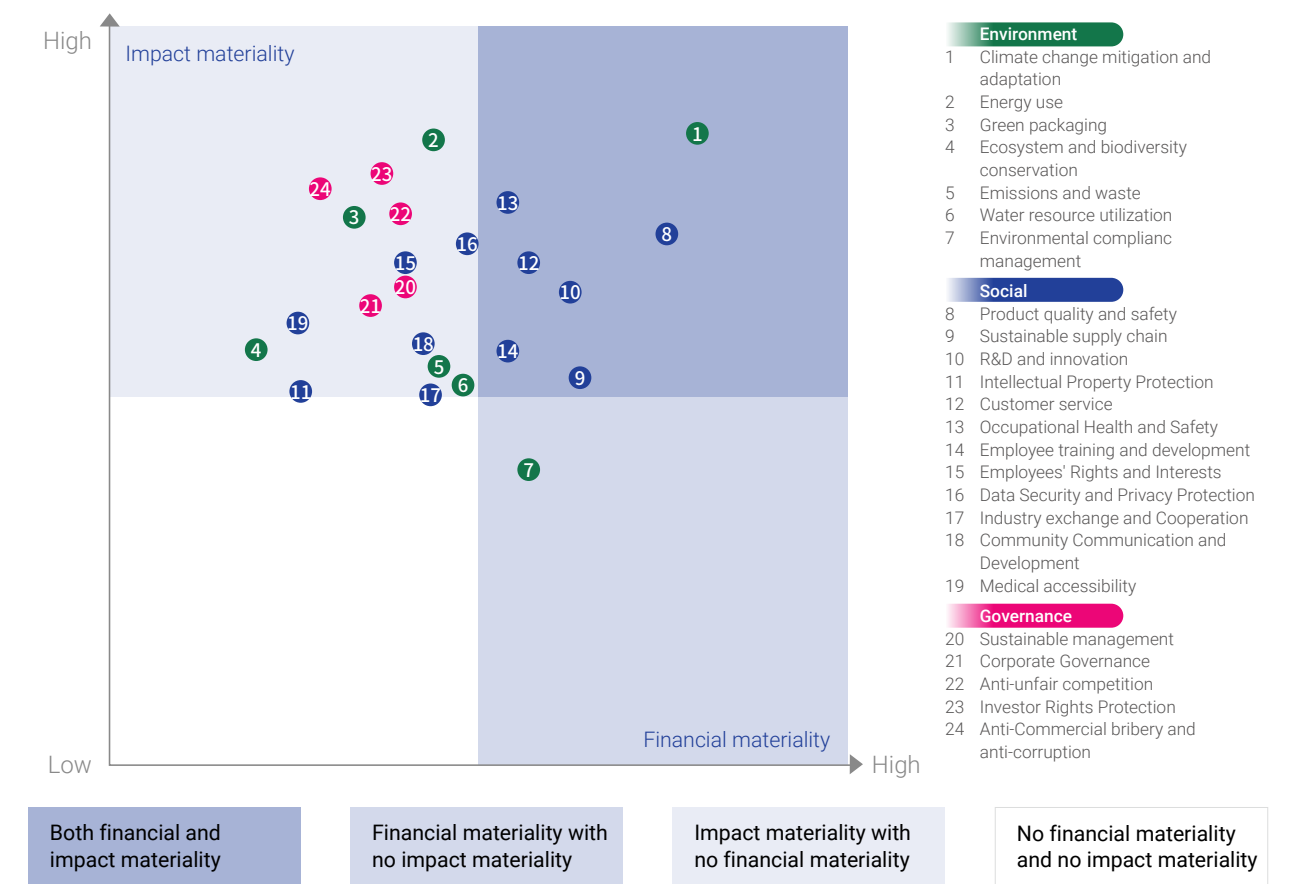
1. Including but not limited to the *Self-Regulatory Guidelines for Listed Companies - Sustainability Reporting (Trial)* (the "Guidelines") released by Shenzhen Stock Exchange, *European Sustainability Reporting Standards (ESRS)* and the European Financial Reporting Advisory Group (EFRAG) *FRAG IG 1: Materiality Assessment Implementation Guide*, and *International Financial Report Standards on Sustainable Disclosure No. 1 - General Requirements for Sustainability-related Financial Information Disclosure (IFRS S1)*.

The Company's corporate sustainability management committee reviewed and confirmed the identification results of material topics. In 2024, the identification results of material topics are given in the matrix below. A total of 24 related topics were identified, which was composed of 7 topics with both financial and impact materiality, 1 topic with only financial materiality, and 16 topics with only impact materiality.

— Double Materiality Analysis Results of Zhende Medical's Topics in 2024 —

Double materiality	<ul style="list-style-type: none">sustainable supply chain, technological research and innovation, customer service, occupational health and safety, employee training and development, climate change mitigation and adaptation
Only financial materiality	<ul style="list-style-type: none">Environmental compliance management
Only impact materiality	<ul style="list-style-type: none">Employee rights and benefits, data security and privacy protection, industry exchanges and cooperation, community communication and development, anti-commercial bribery and anti-corruption, medical accessibility, sustainable management, green packaging, corporate governance, intellectual property protection, ecosystem and biodiversity conservation, water resource utilization, energy utilization, emissions and waste, anti-unfair competition, and protection of investors' rights and interests.

— Double Material Topic Matrix of Zhende Medical in 2024 —



— Table for Impacts, Risks and Opportunities of Zhende Medical's Financial Materiality Topics in 2024 —

重要性议题	Impact Analysis			Financial Analysis		
	Nature of Impact	Impact Scope	Impact Description	Type of Risks and Opportunities	Time Range	Impact Description
Product quality and safety	Potential negative impact	Upstream/ Downstream value chain	If product quality fails to reach the standards, upstream suppliers shall bear more inspection and rework costs, downstream distributors shall face returns and complaints, and consumers may be exposed to health risks, affecting their trust and loyalty to the product brand.	Liability risk	Medium-term	Quality issues may trigger additional production costs, claims, and product recall expenses (such as transportation and storage fees), while potentially leading to a delay in delivery and a fall in sales, further harming the brand reputation.
Sustainable supply chain	Potential negative impact	Upstream value chain	If supply chains fail to meet sustainable development requirements, upstream suppliers may suffer environmental regulatory and social responsibility pressures, resulting in increased costs and production delays. In addition, the supplier's non-compliance behavior may affect the Company's compliance and brand reputation, ultimately bringing about the disruption or instability of the supply chain.	Market risk	Medium-term	The failure of suppliers to satisfy regulatory compliance requirements can lead their products to be prohibited from the market, especially in highly regulated regions such as the European Union. In addition, negative events of suppliers can trigger consumer boycotts, which in turn can result in lower sales and damaged brand image.
R&D and innovation	Potential positive impact	Company's own operation	Through continuous R&D and innovation, the Company can enhance product competitiveness and market adaptability, optimize production processes, reduce costs, and respond to changes in market demand.	Product/Service opportunities/ Market opportunities	Long-term	Through R&D and innovation, the Company can optimize production efficiency, reduce production costs, and enhance flexibility and adaptability, quickly adjust products and businesses, and seize market share. In addition, innovation can boost cooperation and strategic alliances between enterprises and bring new business opportunities.
Environmental compliance management	Potential positive impact	Company's own operation	Through strict environmental compliance management, the Company can mitigate the risks arising from environmental regulations, ensure the efficiency of resource utilization and the minimization of environmental impacts in the production process, enhance operational efficiency, and mitigate the risk of fines and lawsuits.	Resource consideration opportunities	Medium-term	The positive implementation of environmental compliance management can help the Company to raise the corporate image and brand value, while production process optimization and energy conservation & emission reduction can help to elevate resource utilization efficiency, reduce costs and boost sustainable development.
Customer service	Potential positive impact	Downstream value chain	Quality customer service can enhance the customer satisfaction and loyalty of downstream distributors and retailers, elevate product market penetration, decrease the return rate, and raise the market competitiveness of the brand.	Market opportunities	Short-term	Quality customer service can elevate customer loyalty and repurchase rate, and increase customer value and revenue; The product optimization through market feedback helps to expand market share and attract more consumers.
Occupational health and safety	Potential positive impact	Company's own operation	Good occupational health and safety management can reduce work-related injury accidents, enhance employee productivity and satisfaction, reduce production disruptions caused by sick leave and accidents, and optimize the Company's operational efficiency.	Resource efficiency opportunities	Medium-term	Good occupational health and safety management can elevate employee satisfaction and loyalty, which in turn enhances productivity and product quality, while helping to attract and retain outstanding talents and raise the competitiveness of the Company.
Employee training and development	Actual positive impact	Company's own operation	Through continuous employee training and development, the Company can enhance the skills and work efficiency of employees, raise their loyalty and job satisfaction, reduce the brain drain, and boost the improvement of its operating efficiency and innovation capability.	Resource efficiency opportunities	Short-term	The provision of quality training and development opportunities can enhance the attractiveness of the Company, help to explore new business areas, enhance employees' capability and work efficiency, and elevate the Company's brand image and market competitiveness.
Climate change mitigation and adaptation	Potential positive impact	Downstream value chain	By taking climate change mitigation and adaptation measures, the Company can pass on environmental responsibility to downstream suppliers and consumers, enhance the environmental attributes of products, strengthen the trust of downstream partners and consumers, boost the growth of green market demand, and elevate market competitiveness.	Energy source opportunities	Long-term	The exploration of green raw materials market can help to expand market share, and the further cooperation in technological innovation can help to elevate product competitiveness. In addition, by actively responding to climate change policies the Company can also acquire relevant policy support and subsidies to further promote business growth.



AFYA KESHO
Advancing
Adolescent Health
Education in Kenya

香港紅十字會
Hong Kong Red Cross
Foundation

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AFYA KESHO
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Adolescent Health
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WHOLE MILK

WHOLE MILK

02

【Topic 1】Zhende Cares



Building a Harmonious and Healthy Future

- Butterfly Baby Care Project – Helping to Enhance the Quality of Life of EB Patients
- Afya Kesho Project – Innovative Health Education Solutions for Kenyan Teenagers

Butterfly Baby Care Project — Helping to Enhance the Quality of Life of EB Patients

Zhende Medical has always adhered to the principle of deeply understanding and sincerely fulfilling its social responsibility. The Company actively engages in social initiatives that align with the characteristics of its products, striving to ensure that more patients benefit from Zhende products through public welfare actions. By spreading love and warmth through practical efforts, Zhende Medical is committed to contributing to the creation of a happier and more compassionate society.

As a supplier of medical dressings, Zhende Medical has placed significant emphasis on the health needs of patients with Epidermolysis Bullosa (EB), a rare disease often referred to as "butterfly disease" due to the fragility of the skin, mouth, esophagus, and other mucosal tissues prone to trauma and ulceration. The use of high-quality wound care products can greatly enhance the quality of life for these patients, helping to alleviate physical pain and meet life's challenges. To support this cause, Zhende Medical collaborated with the Shanghai Debra Butterfly Baby Care Center to launch the "Touch life stay caring" public welfare project. Through professional medical support and compassionate care, the initiative provided practical help to "butterfly babies", improving their quality of life and raising public awareness about the challenges faced by EB patients.



“

We believe that the value of an enterprise lies not only in its economic contribution but also in its responsibility to society." From the heart, we express boundless love through practical action. We reached out to the butterfly babies, warming their hearts and helping the seeds of dreams take root in each patient's soul. Through the AFYA KESHO project in Kenya, we integrated into local primary and secondary schools, lighting the beacon of knowledge and empowering the health concept to transform the lives of children.

”

——Shen Zhenfang, Vice Chairman of Zhende Medical

— Zhende Medical 'Touching Life and Warming Peers' Public Benefit Initiatives —

Caring donation

- Donated money to Butterfly Baby Care Center to support the Center's operation and development
- Donated 200 nursing kits to provide intimate care for butterfly babies



Nursing training

- Actively participated in EB Nursing training courses, and provided necessary nursing supplies for patients on site



Social popularization

- Worked with Butterfly Baby Care Center to plan the patient story audio collection activity of "Sweet Words to Send Blessings for Butterfly Baby", calling on all sectors of society to pay attention to the butterfly baby group



Launching ceremony of "Touch life stay caring"-themed Public Welfare Project on Caring for Butterfly Babies

In April 2024, the launching ceremony of "Touch life stay caring"-themed public Welfare Project on Caring for Butterfly Babies, jointly developed by Zhende Medical and the Shanghai Debra Butterfly Baby Care Center, was successfully held. During the event, the Company shared a documentary which showcased the daily life and nursing of butterfly babies and their optimistic and idealistic attitudes towards life. The Company also invited several EB patients to share their personal experiences and nursing conditions, helping attendees better understand the challenges and needs of EB patients while raising social awareness. Additionally, Zhende Medical made a special fund donation to the Butterfly Baby Care Center, and the patients' relatives also expressed their deep gratitude at the launching ceremony and presented Zhende Medical with an embroidery work of "ZD" logo in Yi ethnic style.

Numerous paintings by EB patients were exhibited at the launch event. These artworks were full of spirit and reflected the patients' beautiful pursuit and longing for life. Zhende Medical specially adopted the artworks of EB patients and also called on more attendees to adopt the artworks onsite. All the funds raised would be used for EB patients, helping butterfly babies realize their artistic dreams.



Afya Kesho Project — Innovative Health Education Solutions for Kenyan Teenagers

With the increasing global focus on public health, gender equality, and other important issues, adolescent health education has become a key area in advancing sustainable social development. Zhende Medical has consistently embraced a strong sense of responsibility and, in partnership with the Innovation for Health Equity in Africa (IHEA) and the Yi-nergy Minority Assistance Foundation, launched Afya Kesho, a community health education project in Kenya.

Upholding the sustainable strategy of "caring for employee growth, promoting green development, and being a reliable partner," Zhende Medical has been dedicated to deeply integrating the corporate social responsibility philosophy of "We Care" into the Afya Kesho project. The Company has made significant strides in four key areas: social contribution, industry development, employee growth, and cultural integration. These efforts support balanced economic and social development, contributing to global health and well-being.

Social Contribution

Afya Kesho highlights the five key dimensions of health education, equal education, technology empowerment, community empowerment and policy proposition to promote social contribution and enhance the accessibility of health care.

Health Education	Equal Education	Technology Empowerment	Community Empowerment	Policy Proposition
<ul style="list-style-type: none"> Offered lively and age-appropriate sex education courses for primary and secondary school students in Kenya, established knowledge-based community networks while improving the overall health of teenagers, and enhanced community well-being 	<ul style="list-style-type: none"> Focused on the material shortages and educational plight faced by girls, and empowered girls' health by donating health products and boosting gender equality 	<ul style="list-style-type: none"> Provided communities with the necessary digital infrastructure and basic health services and promoted the accessibility of digital and medical services 	<ul style="list-style-type: none"> Strengthened the skills training for community health workers and grass-roots medical personnel, and continued to empower grassroots health forces 	<ul style="list-style-type: none"> Cooperated closely with China-Africa government organizations, the United Nations and other international organizations as well as local non-governmental organizations to boost international experience exchanges

Industry Development

The Afya Kesho project effectively addresses the grassroots health needs in Kenya by providing health education courses, medical support, and sanitation facilities to local communities. This initiative ensures improved local healthcare and enhances social well-being. With its sustainable, replicable, and localized approach, the project has set an exemplary model for corporate social responsibility that other Chinese enterprises can learn from. It has also continued to strengthen China-Africa cooperation in health education, public health, and sustainable development, making significant contributions to the advancement of the industry.

Employee Growth

We have always adhered to a "people-oriented" development philosophy, actively supporting employee growth while promoting health education and social contribution. We have engaged with the Kenyan community by organizing health education programs for the children of employees, enhancing the health and well-being of both employees and their families. Additionally, we encourage employees to participate as volunteers in community health education activities, helping to foster their cross-cultural communication and teamwork skills.

Cultural Integration

With the support of the Afya Kesho project, we have actively promoted cross-cultural exchanges and enhanced cultural understanding and cooperation through special activities such as the Spring Festival. These initiatives aim to strengthen China-Africa relations and further deepen our commitment to social responsibility.

Highlights of Afya Kesho Project

Covered Group

503 adolescents aged 9 to 15, with a total of **638** cumulative participations recorded

Covered Area

3 primary schools at Kiambu and Nairobi counties

Online Influence

10,000+ online users

Academic Research

A baseline survey of **124** teenagers and a pilot study of **20** teenagers were completed



Health education activities at Ngewe Primary School in Kenya

The Afya Kesho project launched its first survey and trial teaching activities at Ngewe Primary School in Kiambu County, Kenya. Using innovative methods such as animated videos, interactive games, anonymous Q&A, public sharing, and practical demonstrations, the project provided local students with engaging and informative health education simulation classes. These activities not only captured the attention of teenagers, parents, and teachers but also laid a strong foundation for improving the health awareness and well-being of Kenyan youth.



Health Education Simulation Class



Caring donation to Ngewe Primary School in Kenya

The Afya Kesho project held a donation ceremony at Ngewe Primary School in Kiambu County, Kenya, providing the school with essential items such as rice, flour, and cooking oil, as well as learning tools like computers. This initiative offered material support and demonstrated deep care and love for Kenyan students. Judy Satya, Head of Ngewe Primary School, expressed her gratitude to the project team, stating that the donation would significantly improve the living and learning conditions of the students. She also expressed hope for long-term cooperation in the future to create a better growth environment for the pupils.



Donation Ceremony at Ngewe Primary School

03

【Topic 2】Zhende Ecology



Creating Value with Sustainability Thinking



Zhende Medical is deeply embedded in the medical consumables industry. With a global presence, advanced manufacturing capabilities, and a comprehensive product system, the Company consistently maintains its leadership position domestically while expanding its influence in international markets. As demand for global healthcare products and services rises, and as regulations such as the *EU Carbon Border Adjustment Mechanism* (CBAM), the *EU Deforestation Regulation* (EUDR), and others are progressively implemented, the industry is rapidly shifting towards compliance, green development, and high-quality growth. In this context, carbon emission management, green supply chain development, and full-life cycle low-carbon design have become key benchmarks for measuring core competitiveness.

In this context, Zhende Medical is progressively shifting from "product competition" to "green value competition." This transition supports global business expansion through strong compliance management, effective carbon management capabilities, and robust financial performance, thereby laying a solid foundation for securing international market share, meeting the green procurement needs of overseas customers, and enhancing long-term resilience. Adhering to the sustainable development philosophy of "integrating ESG into business operations," the Company is committed to embedding sustainability into its day-to-day management and business practices.



“The Company is committed to achieving sustainable development through strategic carbon path planning. The Company plans to reduce carbon emissions through several approaches: firstly, by optimizing production processes, adopting energy-efficient equipment and technologies, and reducing energy consumption; secondly, by promoting the use of renewable energy sources such as solar and geothermal energy to reduce reliance on fossil fuels; and thirdly, by strengthening supply chain management, selecting environmentally-friendly materials, and reducing carbon emissions in the packaging process. The Company will regularly assess and report on the progress of its carbon emission reduction efforts to ensure the achievement of its goals, while actively engaging in industry collaboration to promote the green transformation of the healthcare sector.”

——Dasen Xu, CEO

Building on this foundation, Zhende Medical actively responded to the "3060" dual-carbon goals and joined the Science-Based Targets initiative (SBTi). The Company established carbon emission reduction targets for 2030 and outlined a clear path for achieving these goals. Zhende Medical has continued to strengthen the development of a green value chain, contributing to the low-carbon transformation of the industry and promoting the high-quality development of the medical and healthcare sector.

SBTi-Commit in 2024		SBTi-Target set in 2026		Compliance with dual-carbon targets in 2030	
Grasping the existing situation	Fulfilling responsibility	Improving energy efficiency	Making energy transformation	Achieve the goals	
<ul style="list-style-type: none"> Organize carbon verification Product carbon footprint Supply chain Scope 3 Investigation: Set key emission factors Emission targets: Establish SBTi scientific carbon targets 	<ul style="list-style-type: none"> Scope 2 decarbonization through green electricity emissions Steam accounts for 52% of Scope 2 Scope 3 emissions account for 81% of total emissions 	<ul style="list-style-type: none"> Energy saving management Energy efficiency system Waste heat recovery Equipment upgrading 	<ul style="list-style-type: none"> Clean energy use (photovoltaic and geothermal energy) Purchase renewable power Optimize steam system Increase alternative fuels (coal to gas, and petrochemical fuel to biological fuel) 	<p>With 2023 as the base year, GHG emissions in Scope 1 and Scope 2 will fall by 42% in 2030.</p> <p>With 2023 as the base year, GHG emissions per unit of revenue in Scope 3 will drop by 51.6% in 2030.</p>	
<ul style="list-style-type: none"> Scope 1 2,974.48t Scope 2 93,053.09t Scope 3 426,694.25t <p>Percentage of Scope 3 by category</p> <ol style="list-style-type: none"> Materials purchase 82% Assets purchase 5.1% Product waste disposal 4.8% Upstream transportation 2.7% Energy activities 2.4% Employees commuting 2.2% 	<ul style="list-style-type: none"> Supply chain: Scope 2 Energy conservation and emission reduction Process digitization: Energy BI System Construction and Maintenance Department: Scope 2 Renewable energy development Scope 3 environmentally friendly and low-carbon materials development Procurement: Scope 3 Supplier emission reduction Operations Management Center: Transportation All employees: Low Carbon Action 	<ul style="list-style-type: none"> Scope 2: Energy conservation and emission reduction (absolute energy falling 15%-20%, power + lean) Scope 2: Energy BI System (leak point optimization - Power + process digitization) 	<ul style="list-style-type: none"> Photovoltaic development and use (renewable energy ratio > 30%) Renewable power (100% of power in Scope 2 shifting to renewable power) Steam optimization (petrochemical to biological energy, and gas to electricity) 		

Green Supply Chain Construction

Based on the 2023 carbon data, the Company has effectively identified key areas for carbon reduction. In 2023, the Company's total carbon emissions amounted to 522,786.87 tons of carbon dioxide equivalent, with Scope 3 emissions accounting for 81.7%, primarily from purchased goods and services (85.27%). As a result, carbon reduction in the upstream supply chain is a top priority for Zhende Medical's green development. In addition to driving innovation, Zhende Medical has collaborated with suppliers to enhance environmental management and encouraged more partners to engage in sustainable development practices, thereby laying the foundation for a low-carbon, circular, and responsible supply chain. During the reporting period, the Company made significant contributions to the industry's green transformation by implementing multi-dimensional measures, including promoting the use of environmentally friendly materials, strengthening suppliers' social responsibility commitments, and optimizing packaging solutions.

— Green Supply Chain Construction Results of Zhende Medical in 2024 —

Increasing the proportion of green packaging materials

- The proportion of recyclable packaging materials climbed to 68%
- The procurement volume of FSC-certified packaging accounts for 60%

Optimizing the sustainability of plastic packaging

- The Company completed the development of degradable PE stretch film, and continued to boost the optimization of other degradable and recyclable plastic packaging.

ISCC PLUS certification¹ promoted the construction of circular value chain

Zhende Medical is dedicated to advancing the circular economy and actively promoting sustainable development by continuously exploring new approaches to energy conservation, consumption reduction, efficiency improvement, and environmental protection. In 2023, the Xuchang production site of Zhende Medical successfully obtained ISCC PLUS certification, marking a significant milestone in sustainable production. The site manufactures surgical garments using certified renewable raw materials and embraces the concept of a circular value chain, ensuring that the entire production process complies with environmental standards and minimizes its environmental impact. This initiative not only demonstrates Zhende Medical's strong commitment to environmental and social responsibility but also sets a benchmark for the industry.

The Company used FSC-certified² packaging and labels to contribute to carbon reduction throughout the product life cycle

The company currently selects FSC-certified suppliers for its carton, label, and inner box packaging. In 2024, the Company used a total of 14.69 million FSC-certified packaging and labels, contributing to carbon reduction throughout the product's entire lifecycle.



Photo of Inner Packaging Box



FSC Certificate

Notes:

1. ISCC PLUS (International Sustainability & Carbon Certification PLUS) is an extended version of the ISCC certification system, designed for sectors such as bio-based materials, the circular economy, and recyclable materials. As one of the world's leading sustainable supply chain certifications, it supports the circular economy model, full-chain traceability, and the efficient use of resources. ISCC PLUS covers a wide range of industries, including bioplastics, chemicals, food and feed, packaging, and textiles, contributing to the achievement of sustainable development goals by global companies.

2. The Forest Stewardship Council (FSC) is a global leader in sustainable forest management, renowned for its rigorous, authoritative, and credible certification system. FSC is dedicated to promoting responsible forest management and the harmonious coexistence of forest ecosystems and human society, with the vision of securing global recognition for the true value of forests.

In 2024, the ESG Office cooperated with the procurement department and shared ESG information and communicated on climate change and other related topics with core suppliers on a quarterly basis, with the training coverage rate of up to 88%.

Production Process Optimization

Lean Production Performance of Zhende Medical in 2024

TPI ¹ Key Results in 2024

- Completed **113** TPI projects
- Made cost reduction of RMB **5.8 million**
- Completed **5,650** formulations of standard working hours
- Improved **5,121** proposals
- Achieved **6,800** person-time participation in proposal improvement
- A total of **2,340** employees participated in the lean knowledge training, among whom
- 39** employees passed the basic level exam
- 13** employees passed the Level 1 training exam
- 7** employees passed the Level 2 training exam
- 44** employees passed the equipment training exam

Six Sigma Projects Key Results in 2024

- Initiated and completed **13** Black Belt projects and **10** Green Belt projects.
- Trained a total of **12** Black Belts and **18** Green Belts.
- Accumulated a total of **18** Black Belts and **43** Green Belts.

BPIT² Key Results in 2024

- Completed **74** BPIT projects
- Realized cost reduction of RMB **5.12 million**
- Saved **45,000** working hours
- 14** employees passed the Green Belt certification
- 8** employees passed the Black Belt certification

Notes:
1. Total Productive Improvement (TPI) is a continuous improvement method in lean production, which focuses on enhancing production efficiency, reducing waste and optimizing processes through company-wide participation, ultimately achieving the goals of lean production.
2. Best Practice Implementation & Transfer (BPIT) is a concept in lean production, which emphasizes the implementation and replication of successful experiences within or across organizations, thereby elevating overall operational efficiency and quality levels.

As one of Zhende Medical's core values, transformative innovation is the spiritual element that guides the entire company in aligning with common goals and behaviors. The spirit of transformative innovation motivates and guides every employee to drive progress through innovation, advancing production technology and improving on-site management. This approach enhances production efficiency, ensures product quality, and better equips the Company to compete in the modern business landscape, laying a solid foundation for sustainable development.

Lean Production Results of Zhende Medical in 2024

- The Shaoxing Base Pouch Manufacturing Manual Line Efficiency Improvement Project introduced U-shaped CELL lines to optimize logistics routes, reduce work-in-process (WIP) inventory, and achieve continuous flow operations. This initiative resulted in a manpower savings of **8** employees across two shifts.
- The Xuchang Base Composite Machine Edge Cutting Specification Optimization Project improved the stability of the composite machine slitting operation. By identifying the stability level of the equipment's processing, the project monitored fluctuations in the actual slitting dimensions during production, controlled the slitting width of waste materials, and reduced the use of wider raw material specifications. This resulted in an estimated annual net benefit of approximately RMB **240,000**.
- The Anhui Base Non-Woven Self-Adhesive Bandage Glue Savings Improvement Project reduced glue waste during production by modifying the end baffles of the double-layer coating machine. This change led to a reduction in glue consumption, resulting in an estimated annual net benefit of approximately RMB **480,000**.
- The Xuchang Base implemented automation equipment to enable continuous operations for the soft-folded fabric products, including automatic cutting, automatic inkjet printing, and automatic counting and stacking. This automation eliminated the need for manual stamping and removed production gaps between processes, resulting in an estimated annual net benefit of approximately RMB **180,000**.
- The Xuchang Base Automatic Roll Change Improvement Project introduced automation equipment to enable the automatic roll change operation for the three-antibody equipment. This innovation also reduced material losses caused by manual roll changes, resulting in an estimated annual net benefit of approximately RMB **1.04 million**.
- The Anhui Base Automatic Heat Shrink Packaging Machine Introduction Project implemented automated equipment to enable automatic application and heat sealing of shrink film for elastic bandage and ripple bandage products. This automation resulted in an estimated annual net benefit of approximately RMB **180,000**.

Gauze folder machine

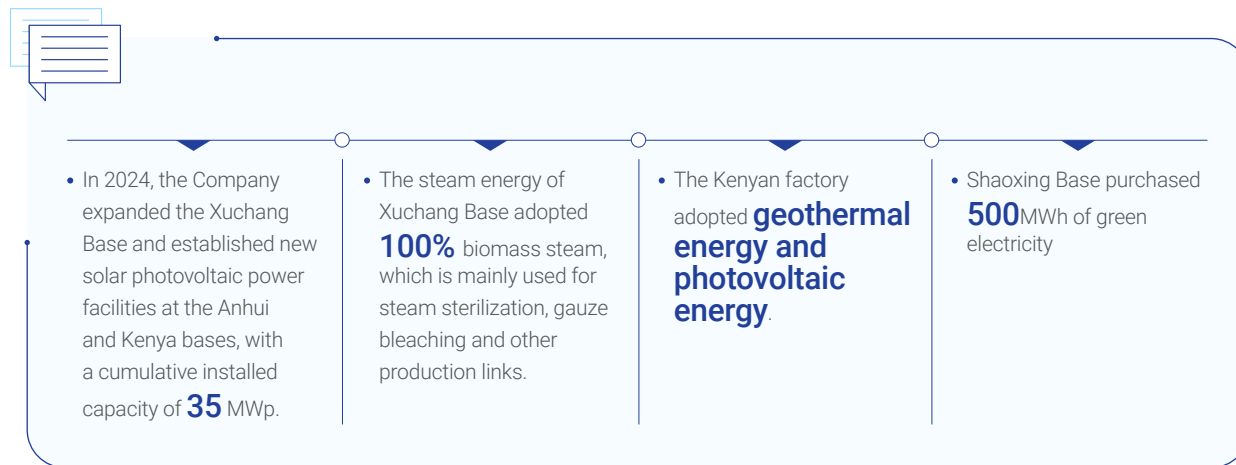
In 2024, the Company and developed and designed a new generation of gauze folding machines, replacing traditional American-style folding machines with modern technology and equipment. The new machine accommodates various folding requirements, such as center-folding, compatibility with different cutting sizes, both sparse and dense gauze, and adjustable layers of 8, 12, or 16, while ensuring the folded edge width remains within 1.5 cm. By optimizing the production process, raw material usage per gauze piece was reduced by 4.4%, and single-channel production efficiency increased by 185.7%. This technological upgrade not only significantly improved production efficiency, but also lowered manufacturing costs and optimized workshop energy consumption and space utilization. Upon full implementation, the transformation is expected to save approximately 3,800 square meters of production space.

Zhende Medical continued to deepen its commitment to lean production by encouraging each facility to strengthen cultural development through improvement proposals, continuously optimize production processes, and enhance equipment efficiency and operational quality. This year, the Company intensified its focus on workshop-level improvement initiatives, with a strong emphasis on operational models, process flows, product quality, equipment management, and material utilization. It established formal management regulations for proposal improvements and encouraged frontline employees to identify issues and suggest solutions based on their day-to-day responsibilities. This approach not only improved employees' problem-solving capabilities but also fostered a culture of continuous improvement. During the reporting period, process optimization efforts helped the Company reduce annual costs by RMB 39.86 million, significantly supporting the improvement of operational efficiency.

Use of Clean Energy

Zhende Medical actively promoted the transition to clean energy by steadily advancing photovoltaic power generation projects around key production bases, increasing the purchase of green electricity, and utilizing renewable energy sources such as biomass steam and geothermal energy based on local conditions. These efforts have gradually increased the proportion of clean energy in its operations and contributed to reducing carbon emission intensity in production and business activities, thereby laying a solid foundation for achieving the dual-carbon goals.

— Clean Energy Use Results of Zhende Medical in 2024 —



In the future, the Company will continue to advance the development of clean energy projects at key bases. The Phase II Photovoltaic Project at the Huaian Base in Jiangsu is scheduled to be typ: out into service in 2025. Photovoltaic projects are also being actively promoted at the new Shaoxing Base and the Shanghai Base. In Xuchang, the Company plans to expand its photovoltaic capacity while maintaining a stable supply of biomass steam. Internationally, the Phase II Photovoltaic Project at the Kenya facility is also expected to be operational in 2025, further enhancing the use of geothermal and other clean energy sources. Through these initiatives, the Company aims to increase the proportion of clean energy in its operations and accelerate the green transformation of its key bases.

Publicity and Implementation of Carbon Reduction Awareness

Zhende Medical places great importance on integrating low-carbon principles into its daily operations, actively promoting green office practices and encouraging all employees to participate in low-carbon initiatives. The Company has implemented energy-saving and consumption-reduction measures through centralized management of energy-consuming equipment, 5S management practices, and the monitoring of water and electricity usage in office buildings. It also strives to reduce the use of disposable products by adopting low-carbon procurement, promoting paperless office practices, and enforcing plastic reduction measures. Additionally, Zhende Medical has enhanced waste sorting and the centralized treatment of recyclable materials, encouraging employees to properly classify and dispose of waste to support resource recycling.

— Green Office Results of Zhende Medical in 2024 —



Electricity consumption per capita in office buildings decreased year-on-year
9.2%






Usage of disposable paper cups was reduced
10,000 units



Usage of plastic pens was reduced
6,000 units

— Zhende Medical's Green Office Initiatives —

Action	Planning	Expected annual effect
Reduce use of paper cups¹  A total of 50,000 office paper cups were used in 2024	Reduce the use of disposable paper cups by 20% per year, and will eliminate the use of disposable paper cups by 2029	Reduce 194 kg of carbon dioxide equivalent  ≈ X 1
Reduce use of office paper²  A total of 250 million pieces of office paper was used in 2024	Reduce the use of office paper by 5% per year, and will decrease it to 65% of the 2023 level by 2030	Reduce 2,625 kg of carbon dioxide equivalent  ≈ X 13
Encourage carpooling³  In 2024, the total mileage of domestic major commuter routes ⁴ was 69,800 kilometers	30 carpools are added to each commuter hub, saving the driving mileage of 5,190 kilometers per year	Reduce 897 kg of carbon dioxide equivalent  ≈ X 5
Eliminate the use of bottled water⁵  12,000 bottles of bottled water ⁶ were used in 2024	By 2030, the use of bottled water will nearly reach zero	Reduce 2,160 kg of carbon dioxide equivalent  ≈ X 11

Notes:

1. According to the *Full Value Chain Carbon Footprint Analysis Report of Disposable Paper Cup*, every 1,000 water-based coated paper cups can generate carbon emissions of 19.47kg CO₂e only after recycling.

2. According to the *Full Life Cycle Greenhouse Gas Emission System of Chinese Products (2022)*, the carbon footprint of a piece of A4 paper is 16gCO₂e, and the carbon emission of A4 paper after printed by laser printer is 5gCO₂e. The carbon emission of a piece of A4 paper totals 21gCO₂e from production to use.

3. Carpooling activities are mainly concentrated on the following routes: 24 km from Shaoxing Headquarters to Shaoxing North Railway Station, 50 km from Shaoxing headquarters to Hangzhou Xiaoshan International Airport, 11 km from Xuchang base to Yanling Railway Station, and 88 km from Xuchang base to Zhengzhou Xincheng International Airport.

4. According to the *Coping with China's Climate Challenge: Insight Report on Financing the Transformation and Achieving a Net-Zero Future*, carpooling commuting reduces 173gCO₂e per kilometer in average.

5. According to the "Hangshui" carbon label, the greenhouse gas emission of each bottle of water during the "full life cycle" is 0.18kgCO₂e.

6. The water consumption is 6,000 bottles (50% of 380ml bottles and 50% of 500ml bottles) in Shaoxing, and 6,000 bottles (mainly 500ml bottles) in Xuchang and other regions.

The Company has identified the improvement space for low-carbon office through 5S inspection. During the reporting period, the Company took the *Low-carbon Office Evaluation* group standards released by Chinese Society of Technology Economics in 2022 as the benchmark, set an annual target of 90 points, and implemented improvement actions in the three fields: low-carbon office operation, green working style and low-carbon awareness promotion, contributing to the realization of green office through the use of energy and resources, the procurement and operation & maintenance of office supplies, and the management and recycling of wastes.



“

Nowadays, environmental awareness is increasing day by day. Green office and low-carbon operation have become important directions for the sustainable development of enterprises, which not only helps to reduce the negative impact on the environment, but also enhances the corporate image and lowers operating costs.

”

——Betty Ye, Low Carbon Project Leader of Zhende Medical

— Green Office Management Measures of Zhende Medical —

Energy and resource use

- Establishing a unified control mechanism for energy consumption equipment, and regularly switching the cooling and heating modes of air conditioners;
- Optimizing lighting and water management, and adjusting the operating time of road lamps, LOGO lamps and hot water faucets according to seasons;
- Intensifying routine supervision and inspection, conducting energy use checks and reporting abnormal situations;
- Making hydropower data monitoring, regularly analyzing abnormal energy consumption and following up rectifications.

Procurement of office supplies

- Achieving plastics restriction and low-carbon procurement by increasing degradable packaging bags in the canteen, purchasing degradable garbage bags, disposable toothbrushes and combs made of straw, and kraft paper file boxes and file bags, and specifying more environmental-friendly reception tea break standards;
- Realizing efficient operation and maintenance of office supplies by optimizing administrative inventory, material requisition, equipment recycling and office area space integration.

Proposition of green work style

- Achieving effective waste management by reducing more than 50% of garbage bins and garbage points, harmlessly treating of wet wastes and intensively disposing of recyclable wastes;
- Developing *Vehicle Management Rules* and encouraging employees to carpool for green mobility;
- Putting up low-carbon signs in multiple areas, showing low-carbon publicity posters on elevator LED screens, organizing garbage pickup activities, and raising employees' low-carbon awareness.
- Regularly conducting electricity use inspection

Waste classification has become a new fashion of the Company: Zhende Medical's waste classification records

Since the implementation of garbage sorting, Zhende Medical has completed the allocation and updating of garbage bins and other hardware facilities pursuant to the requirements of Regulations on the *Domestic Waste Management in Zhejiang Province*, and arranged more than 100 garbage bins in the Company's office area and production park. The Company has also adopted a series of effective measures to upgrade the garbage sorting hardware facilities, thus contributing to the development of garbage sorting habits of employees.

Well-equipped facilities

The Company has upgraded the garbage station, providing four-color trash cans in line with the national standards and achieving centralized sorting. The garbage room is provided with a classified information bulletin board to indicate the garbage collection company and the destination of garbage. The public area of the office building has been equipped with recyclable garbage bins and other garbage bins, and harmful garbage such as batteries and ink cartridges are uniformly dealt with by relevant departments. In addition, the Company has also provided four kinds of garbage bins for "other garbage", "recyclables", "harmful garbage" and "kitchen waste" at the centralized garbage point, and entered into service contracts with specialized garbage collection and transportation companies.

Extensive training and publicity

The Company released learning materials on garbage sorting on the internal E-learning platform, provided the most common cases in response to the common classification questions, and helped employees to have an overall understanding and grasp of garbage sorting through online interpretation



In the future, Zhende Medical will further strive for the promotion and education of garbage sorting, organize more targeted training activities, and elevate the classification accuracy and enthusiasm of employees. The Company will improve the mechanism to ensure the strict implementation of garbage sorting. It will also introduce advanced waste sorting technology and equipment to enhance sorting efficiency and quality. In addition, the Company will further cooperate with specialized recycling enterprises to achieve the resource utilization of wastes, thereby contributing more to green and environmental protection, and fostering a better future of sustainable development.

The Company confirmed and followed on the implementation effect of the improvement plan, and the low-carbon office assessment reached 94 points in 2024. In the future, the Company will continue to deepen its practices in terms of low-carbon mobility, low-carbon activities and low-carbon catering, thereby contributing to the steady improvement of the low-carbon office performance, and to the green and low-carbon development of the Company.

cal SEZ Limited



04

Improving Governance System



- Corporate Governance System
- Compliance Operation Management

☆ 33.33% of female directors

☆ 10 internal audits

☆ 3 investor exchange meetings

☆ 23 sessions of anti-corruption theme training

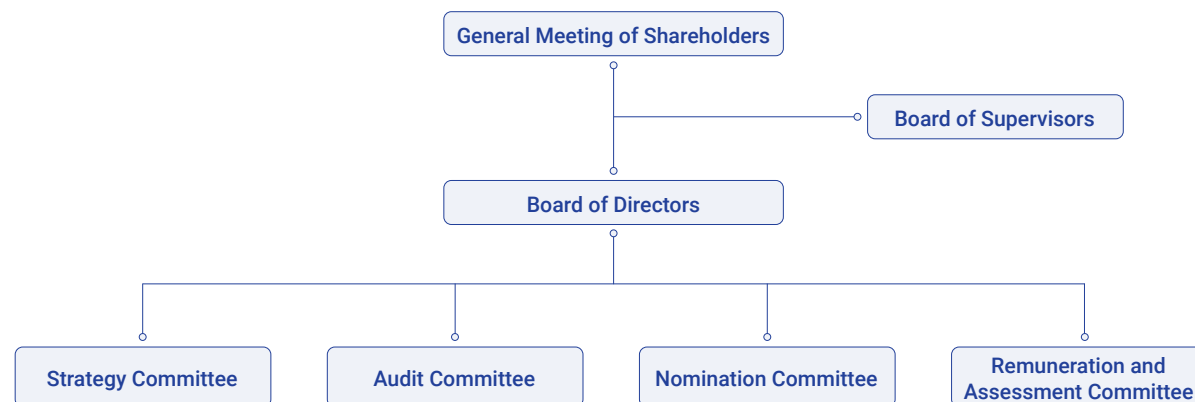
Corporate Governance System

Corporate Governance Structure

Zhende Medical has formulated the *Articles of Association* to continuously improve the corporate governance structure and standardize its operations. The Company has established a corporate governance structure consisting of the General Meeting of Shareholders, Board of Directors, and Board of Supervisors. We have formulated systems such as the *Rules of Procedure for Shareholders' General Meeting*, *Rules of Procedure for Board of Directors*, and *Rules of Procedure for Board of Supervisors*, ensuring that the General Meeting of Shareholders, the Board of Directors and the Board of Supervisors exercise decision-making and supervisory power, with an increasing level of independent operation.

The Board of Directors consists of four specialized committees: Strategy Committee, Audit Committee, Nomination Committee, and Compensation and Assessment Committee. All members of the specialized committees are directors. Independent directors hold the majority and serve as the chairman of the Audit Committee, Nomination Committee, and Compensation and Assessment Committee. Each committee strictly fulfills its responsibilities in accordance with relevant regulations, and fully utilizes its professional advantages, to improve the scientific decision-making of the Board of Directors.

— Corporate Governance Structure of Zhende Medical —



During the reporting period, the Company held the General Meeting of Shareholders and meetings of the Board of Directors and Board of Supervisors in accordance with legal procedures. Each specialized committee of the Board of Directors performed their responsibilities, and improved the level of enterprise management and risk prevention capabilities. The maximum interests of the Company and all its shareholders were safeguarded.

— Composition of the Board of Directors and Board of Supervisors and Operation of Shareholders' General Meeting and Meetings of the Board of Directors and Board of Supervisors in 2024 —

Composition of the Board of Directors 9 directors, including 3 female directors and 3 independent directors

Composition of the Board of Supervisors 3 supervisors, including 1 employee supervisor

Convening of the General Meeting of Shareholders and Meetings of the Board of Directors and Board of Supervisors

- 1 General Meeting of Shareholders with a total of 11 proposals deliberated
- 7 Board of Directors meetings, with a total of 30 proposals deliberated, including 9 meetings of specialized committees of the Board of Directors
- 6 Board of Supervisors meetings, with a total of 20 proposals deliberated.

Protection of Investor Rights

The Company performs its information disclosure obligations in a truthful, accurate, complete and timely manner, in strict accordance with laws and regulations and the *Articles of Association*, the *Information Disclosure Management System*, the *Internal Reporting System for Material Information and Information Disclosure Deferral and Exemption Business Management System*, etc., and does a good job in maintaining confidentiality prior to the information disclosure to ensure that the information disclosure is open, fair and equitable, and that it effectively safeguards the interests of the investors, in particular the small and medium-sized investors.

In terms of equal treatment of small and medium-sized shareholders, the Company follows the principle of equality when carrying out investor relations management activities, to treat all investors equally. Particularly, it creates opportunities and provides convenience for small and medium-sized investors to participate in the activities, and arranges on-site visits, discussions and communication

In terms of related-party transactions, the Company has established an effective mechanism for the operation and supervision of such transactions. The annual estimated related-party transactions are confirmed and implemented after being voted on by the board of directors and deliberated by the independent directors and the shareholders' meeting, which ensures that the daily related-party transactions involved are necessary for the Company's daily production and operation. The transaction pricing is fair and reasonable and will not adversely affect the Company's financial position and operating results, nor affect the Company's independence, nor jeopardize the interests of the Company and its other shareholders, especially the small and medium-sized shareholders.

The Company has formulated the *Investor Relationship Management System* and established diversified investor communication channels. Through the Company's shareholders' meeting, performance briefings, investor hotline, mailboxes, reception of investor research visits and other means, the Company communicated with investors to safeguard the legitimate rights and interests of investors, especially the interests of small and medium-sized investors, enhance the investors' understanding and trust of the Company, and listen to the investors' opinions and suggestions, in a bid to improve the Company's governance.

During the reporting period, the Company held **3** investor exchange meetings.

— Investor Communication Channels —

0575-88751963

dsh@zhende.com

Official website of the Company, website of Shanghai Stock Exchange, e-interaction platform of the Shanghai Stock Exchange, etc.

General Meeting of Shareholders, investor exchange conferences, roadshows, etc.

The Company designates *Shanghai Securities News*, *Securities Times*, *Securities Daily*, *China Securities Journal*, and the website of the Shanghai Stock Exchange as the newspapers and website for information disclosure. During the reporting period, it did not keep any information that should have been disclosed, and there was no selective information disclosure behavior. It has properly fulfilled the information disclosure obligations of a listed company and effectively protected the legitimate rights and interests of investors.

During the reporting period, the Company released a total of **61** announcements and documents.

Zhende Medical has established and improved its sustainable and stable dividend policy and supervision mechanism, effectively safeguarded the legitimate rights and interests of investors, and distributed dividends to all shareholders according to the dividend return plan.

— Cash Dividend Distribution of Zhende Medical over the Past Three Years —

Year	Dividend distributed per 10 shares (RMB) (tax inclusive)
2022	6
2023	15
2024	6.5

Zhende Medical practiced the "investor-oriented" concept, boosted the high-quality development of the Company and the enhancement of investment value, protected the legitimate rights and interests of investors, especially small and medium-sized investors, and formulated an action plan of "improving quality, increasing efficiency and highlighting returns" in combination with its development strategy and realistic business conditions. Specific measures included focusing on the main business, emphasizing investor returns, stressing the quality of information disclosure, standardizing operation and improving corporate governance, and strengthening the responsibility of the "key minority".



Compliance Operation Management

Anti-commercial Bribery and Anti-corruption

Zhende Medical has established a comprehensive anti-corruption management system and shaped a clean and honest corporate culture. The Board of Directors of the Company has an Audit Committee responsible for managing and making decisions on anti-corruption and business ethics. The Company's Internal Audit and Risk Control Department is designated as a permanent body for audit and supervision, and responsible for organizing and implementing daily anti-fraud work throughout the Company.

The Company has continued to improve anti-corruption and business ethics management systems, and consolidated anti-corruption management achievements through various measures, such as system construction, audit supervision, due diligence and training.

— Anti-corruption management measures and progress of Zhende Medical —

Measures		Achievements in 2024
System construction	<p>The company has signed the <i>Commitment Letter for Professional Ethics</i> and the <i>Commitment Letter for Honest and Clean Practice</i> with employees. Employees are required to prevent corrupt behaviors, such as accepting bribes, organizing or participating in entertainment and consumption activities and soliciting bribes, strictly keep business secrets, observe professional ethics, enhance the awareness of integrity and self-discipline, and safeguard the legitimate rights and interests of the Company.</p> <p>The Company has formulated the <i>Management System for Bidding</i> and other systems for external parties. It has issued the "Anti-Commercial Bribery, Adherence to Integrity" proposal for suppliers and distributors, and signed the <i>Integrity Agreement</i> with them to prevent money exchanges with employees, payment of kickbacks, pursuit of private interests and other corrupt behaviors, and establish honest, trustworthy, reciprocal and win-win cooperation.</p>	<p>The signing rate of the <i>Commitment Letter for Professional Ethics</i> with employees was 100%, and the signing rate of the <i>Commitment Letter for Honest and Clean Practice</i> with employees was 100%.</p> <p>The signing rate of the <i>Integrity Agreement</i> with suppliers and distributors was 100%.</p>
Supervision and review	<p>Internal review</p> <p>The Company has published supervision and reporting channels and telephone numbers, and required all factories and marketing centers to carry out internal supervision and audit.</p> <p>External audit</p> <p>Every year, the Company has accepted audits from independent third parties at the request of customers, demonstrating its transparency and compliance. In addition to financial audits, the Company has also accepted ethic reviews from independent third parties every year, with business ethics as one of the main topics.</p>	<p>Compliance audit was conducted annually in each factory, and the audit report was delivered at the annual management meeting of the Company and was incorporated into the rectification of each factory.</p>
Awareness training	<p>The Company has continued to provide customized business ethics training courses, covering employees in all key positions. The training has recorded and tracked the training effect through the E-learning platform, improving employees' awareness of business ethics.</p> <p>For all employees, the Company organized the <i>Enterprise Business Ethics Training - Enterprise Anti-corruption and Anti-bribery</i> to strengthen their sense of self-discipline and continuously enhance their business ethics; The Company released the <i>Code of Business Conduct</i> and also organized training on <i>Anti-commercial bribery and Complaint Reporting Management Regulations</i> for partners.</p>	<p>The Company provided anti-fraud case training, and analyzed fraud cases, including duty-related misappropriation, embezzlement of funds and bribes of non-government workers to enhance the vigilance of employees.</p> <p>During the reporting period, the Company organized various anti-corruption theme training for 23 times, involving sales, procurement, infrastructure and other departments. The proportion of directors receiving anti-corruption related training was 100%, with the training time of 2 hours per person.</p>

Measures		Achievements in 2024
Supervision and reporting	The Company has adopted a zero-tolerance attitude towards corruption, fraud, and money laundering, formulated the Regulations on the Management of Anti-commercial Bribery, Complaints and Reporting, and established a reporting hotline and email to ensure the transparency and smoothness of reporting channels. At the same time, the Company takes protective measures for complainants and whistleblowers. Those who violate the regulations by disclosing information about whistleblowers or retaliating against whistleblowers will be dismissed with their labor contracts terminated. In case of violations against the law, related personnel will be transferred to the judicial authorities.	During the reporting period, the number of corruption reports received by the Company was 0 .
	Reporting channels Hotline: 18658516729 Email: tousu@zhende.com Mailing address: Zhende Medical Headquarters (Internal Audit and Risk Control Department), Yuecheng District, Shaoxing City, Zhejiang Province	

Anti-Unfair Competition

The Company has strictly observed the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Price Law of the People's Republic of China* and the *Advertising Law of the People's Republic of China* and other relevant laws and regulations, standardized the employee confidentiality system in the *Employee Handbook*, and refused to seek competitive advantages through unethical and illegal business practices.

Zhende Medical has established and improved internal management system and self-discipline mechanism, standardized employee behavior, and prevented unfair competition from inside the Company. In addition, the Company has also formulated a reporting mechanism to encourage employees to report any unfair competition act. Once verified through investigation, any unfair act shall be dealt with according to relevant laws and regulations and the Company's internal rules, and the information of whistleblowers shall be strictly protected to avoid retaliation. In addition, this year the Company also performed publicity and training to boost the construction of anti-unfair competition management system and corporate culture.

Zhende Medical has firmly implemented the responsible marketing concept, complied with national laws and regulations, actively advocated an active and healthy lifestyle, laid stress on the accuracy of marketing & communication terms and the scientific and rigorous description of product performance, and strictly implemented the advertising review system. During the reporting period, the Company developed and released the *Brand Management Standards*, systematically regulated the information release and review process, and established a strict review process for external information release. Through multi-level checks by multi-level personnel at various posts, the probability of misleading information to the public was effectively reduced, thereby avoiding the potential risk of misleading consumers. In addition, Zhende Medical performed responsible marketing training for all marketing personnel, including marketing, brand and after-sales personnel, stressing that any one shall not infringe on others' intellectual property rights, and shall not publicize mistaken or exaggerated product information.

Internal Control and Audit

Zhende Medical has formulated the *Internal Audit Provisions* and *Implementation Rules on Contract Approval Management* and other systems. Under the guidance of the Audit Committee of the Board, the Internal Audit Risk Control Department of the Company headquarters is in charge of internal audit, risk management and other related work. The Internal Audit Risk Control Department regularly conducts routine audits and special audits, and regularly identifies and evaluates various risks in routine work, collects risk management opinions, and reports risk control to the Board of Directors.

During the reporting period, the Company conducted 8 routine audits and 2 special audits, covering the procurement, cost, assets, engineering, remuneration and safety production units. Through the mode of "audit + rectification", the Company has constantly optimized its business process and operating mechanism.

During the reporting period, the Company conducted	
8 routine audits	2 special audits

— Routine Audit and Special Audit Results of Zhende Medical in 2024 —

Type	Audit Module	Audit Scope	Audit Results
Routine audit	Seven items for the subsidiaries	Audits were made for key systems, process construction and implementation, involving cost, procurement, assets, labor, engineering, safety production and others.	Completed a total of 10 items in routine and special audits, identified improvement points and made improvement as planned
	One item for sales	Freight management, sales management, cost verification and others	
Special audit	One item for compliance	Conducted internal audit according to AEO standards	
	One item for cost	Cost information, cost management, cost input and output, system process and others	

The Company has laid stress on the enhancement of the employees' legal awareness, and designed hierarchical law-abiding and compliance training courses according to the characteristics of different posts. The trainings were carried out through the E-Learning platform.

During the reporting period, 543 people attended the training courses
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Intellectual Property Protection

Zhende Medical has attached significant importance to the protection of independent intellectual property rights, and respected the intellectual property rights of others. We established a sound intellectual property management system, and passed the intellectual property management system certification of the China National Intellectual Property Administration for the first time in 2016.

The Company has established a top-down intellectual property management structure and intellectual property compliance management system, and designated management representatives to ensure the effective operation of the system. The Company has also formulated the *Intellectual Property Compliance Management Manual*, *Intellectual Property Management Regulations*, *Patent Value Evaluation Rules*, *Patent Application Management Rules for New Products* and other systems, and carried out the planning, implementation, inspection and improvement of intellectual property management, thereby providing a significant guarantee for the technological innovation and sustainable development of the Company. During the reporting period, the Company developed relevant procedures for intellectual property risk assessment and management, established response strategy for identified risks, and released documents such as *Intellectual Property Protection Compliance Control Procedures* and *Intellectual Property Emergency Plan*.

This year, Zhende Medical established a long-term goal for intellectual property, i.e, improve the intellectual property compliance management system, raise the independent innovation capability, bolster product transformation and upgrading, and contribute to the sustainable development of Zhende. In addition, the intellectual property goals are planned as follows:



- The coverage rate of intellectual property protection reaches 100%;
 - a 100% of intellectual property control during product life cycle (involving project initiation, survey, market launch, production, sales, after-sales, withdrawal and others.);
 - b Full-process management and control of intellectual property (including patents, trademarks, copyrights, technology development contracts and others)
- Establish and improve the enterprise intellectual property compliance management system and intensify the full chain protection of enterprise intellectual property;

In 2024, the Company was granted

- New Class II medical device registration certificates

9

- Invention patents

28

As of the end of the reporting period

- the Company has had patents for invention

105

- Class II medical device registration certificates

136

- Class III medical device registration certificates

11

- Awarded the title of “National Intellectual Property Demonstration Enterprise”.

In addition, the Company has actively performed intellectual property publicity and training activities for employees. In 2024, the Company launched the intellectual property competition on the "Intellectual Property Day". By linking market side and the R&D side, the Company also held two exchange meetings on patent mining. The Company organized the Marketing Department of each marketing center to carry out basic intellectual property training three times, and effectively arranged intellectual property internal auditor training, with 4 individuals passing the internal auditor examination.



Moreover, the Company has endeavored to protect our core competitiveness, strictly inspected counterfeits of our brands, regularly monitored trademark infringement, and closely monitored the Company's trademark registration information in the market, search engines, professional trademark databases, official trademark announcements and other channels to determine whether there is unauthorized use of our trademarks. In 2024, we found many companies registered similar products with the trademark "Zhende". Eventually, the Company filed complaints about the trademarks regarding trademarks related to its main products, thereby maintaining the reputation of the trademark "Zhende". During the reporting period, the Company had no violations relating to intellectual property rights.





Caring for employee growth



- Protection of Employees' Rights and Interests
- Employee Training and Development
- Occupational Health and Safety

KPI and target values by 2030	Goals by 2025	Actual performance in 2023	Actual performance in 2024	Progress
The work-related injury rate per one thousand employees is lower than 0.5	<0.5	0.45	0.38	↓
Female senior executives (above director level) account for up to 20%	>20%	23.80%	26.3%	↑
Employee Net Promoter Score (E-NPS) is over 70	>64	69.33	75.55	↑
The average training time of employees is greater than 60 hours	>56	64.77 hours	64.9 hours	↑

Protection of Employees' Rights and Interests

Employee Recruitment and Employment

The Company has adhered to legal employment, and been committed to building an equal, diverse, and inclusive workplace culture. The Company has observed the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other laws and regulations, formulated regulations such as the *Management Rules for Signing Labor Contracts* and the *Recruitment Management Rules for General Workers*, defined relevant provisions in the *Corporate Social Responsibility Management Handbook*, clearly prohibited child labor and forced labor, and prevented workplace discrimination and harassment.

The types of employment include full-time employment, labor dispatch, and re-employment after retirement. Posts involve human administration, research and development, marketing, sales, finance, production and manufacturing and others. The production and manufacturing posts may involve labor dispatch workers in terms of employment relations. In recent years, the Company has actively carried out the strategy of talent introduction, and intensified the talent reserve through targeted recruitment from colleges and universities, school-enterprise cooperation and so on.

— Employee Recruitment and Employment of Zhende Medical —

Prohibition of child labor

- Strictly implement the ID card-based assessment system before employment;
- If child labor is found to be recruited by mistake, the Company will notify their parents to take them back, bear their travel expenses for returning home and all fees for their compulsory education.

Prohibition of forced labor

- If forced labor is found, employee representatives should investigate into the matter and ask for opinions from the forced workers. Within a week, a meeting with the management will be set to seek solutions together, or report to the public safety organs.

Prevention of workplace discrimination and harassment

- Make it clear that the Company shall not engage in any discriminatory behavior against employees due to their race, social class, nationality, religion, disability, gender, or gender orientation, etc.;
- Establish a multi-channel grievance mechanism through the grievance box, internal email address, telephone (0575-88082530), union representatives and others. This mechanism provides anonymous complaints, and takes adequate protection measures to ensure the confidentiality of complainants, and protects complaint-making employees from being retaliated/penalized;
- After receiving the complaint, the Company will respond by investigating into and verifying it as soon as possible, and promptly disclose the progress to the complainant. If the case is true, it will handle it in accordance with the system and publicize the treatment; in serious cases, the Company will assist employees who have been discriminated against or harassed to report to the public security organs. If the case is not true, or if it is a misunderstanding, it will intervene for mediation.
- Provide employees with trainings on the prevention of harassment and abuse.

The Company has adopted a series of employment measures, aiming to create more employment opportunities for the society:

Expand the size of recruitment and offer diversified posts: The Company provided a variety of posts from production line to management, R&D, and sales in different regions of the country to meet the employment demand of talents at various levels. In addition, we strove to attract talents through social recruitment, online recruitment platform and other channels. Zhende Medical attaches great importance to campus recruitment, recruiting nearly 100 outstanding college graduates every year.

Intensify school-enterprise cooperation and cultivate specialized talents: We jointly launched modern apprenticeship classes with Henan Vocational College of Water Conservancy and Environment, attempted targeted training programs, and provided internship and employment opportunities for students. We also cooperated with Zhejiang Sci-Tech University to establish a school-enterprise employment practice base, further helping college students to enter the enterprises for employment.

Increase industrial investment and expand employment: Xuchang Zhengde invested in the spunlace non-woven fabric production project in 2024, which can provide 300 jobs and promote the employment of 1,000 people in the relevant industrial chain after the project's operation. Currently, Zhende Medical has more than 100 supporting enterprises at Yanling County, and the whole industrial chain can provide nearly 10,000 jobs.

The Company has always respected and cherished talents, and laid stress on compliance, fairness and transparency in recruitment and employment work. In order to effectively create a fair, orderly, and trustworthy talent selection environment, the Company has implemented the following actions and measures.

Establish clear recruitment policies and procedures	Ensure that all recruitment decisions made are in line with the Company's policies and laws and regulations, specify the process and responsible person at each stage, and prevent personal bias of supervisors from affecting recruitment results.
Make public job information	Extensively publish recruitment information inside and outside the Company, disclose contact information to the public, ensure that all qualified candidates have the opportunity to apply for relevant posts, and prohibit any discriminatory conditions in the published recruitment information.
Formulate fair recruitment standards	Make clear job requirements, establish evaluation standards and interview guidelines, and ensure that each candidate are subject to consistent, objective and fair evaluation standards.
Take diverse recruitment channels	In addition to traditional recruitment channels, also use social media, internal recommendation, campus recruitment and other diversified channels to acquire more talents with different backgrounds.
Train recruitment-related personnel	According to the <i>Management and Training for Recruiters</i> , organize training for HR personnel and interviewers participating in recruitment to prevent discriminatory behavior of recruiters and enhance recruitment fairness.
Establish a feedback mechanism	Provide a feedback mechanism for rejected candidates, enabling them to understand the reasons for the rejection, and collect feedback to optimize the recruitment process.
Make regular inspection and evaluation	Make a regular inspection of the implementation of the recruitment process, evaluate whether the recruitment results are in line with expectations, and rectify unfair behaviors in a timely manner.

Employee Care and Welfare

The Company has adhered to the management principle of “caring for employee”. A comprehensive remuneration system, the *Employee Handbook*, the *Welfare Management Rules* and the *Articles of Association of Medical Assistance Foundation* have been developed to safeguard the legitimate rights and interests of every employee. In addition, the Company has also set up internal honors and awards to recognize employees with outstanding performance and contributions.

— Comprehensive Remuneration System of Zhende Medical —



— Comprehensive Reward System of Zhende Medical —



During the reporting period, the Company conducted a comprehensive comparative analysis on remuneration in the market to assess the competitiveness of the Company’s remuneration system, and put forward suggestions for optimization to attract and retain key talents more effectively. Meanwhile, it gave an active response to market changes, significantly reducing unnecessary brain drains, and building a solid talent base for the Company’s long-term development.

In the management principle of “caring for employees”, Zhende Medical has established a comprehensive employee welfare system, including mandated benefits, living allowances, health plans and other benefits. The Company paid work-related injury insurance for all its regular employees, with the total amount of work-related injury insurance paid reaching.

— Employee Welfare System of Zhende Medical —

Mandated benefits	Living subsidies	Health plan	Other benefits
Social insurance	Staff dormitory	Staff health examination	Subsidies for festivals
Housing provident fund	Staff canteen	Commercial insurance	Group tour
	Food subsidies		Annual vacation
	Regular buses		Visits for employees with marriage, funeral, injury and illness, childbirth, or major family accidents

The Company attaches great importance to the humanistic care for every employee. The Company has established a mutual assistance foundation, and all employees are members of the foundation, which offers certain support to employees and their families in need. In addition, the Company has also provided support for employees' work and life through various forms of activities such as "five must-visits". For example, when an employee encounters difficulties, the Company promptly offers support and extends its condolences.





Zhende Medical Provided Child Care Services for Employees to Create a Family-Friendly Workplace

To solve the difficulty of taking care of employees' children during holidays, enrich children's lives and promote their development, we have offered winter (summer) vacation care services eight times. We provided homework counseling and a series of interest courses, such as painting, poetry appreciation, clay making, cupcake making, and enhance their understanding and friendship between each other through games.

In 2024, a total of 80 children received such services. In the future, we will continue to work hard in caring for the families of our employees, building a "harmonious and beautiful" home of Zhende.



Zhende Medical set up a "Love Mother-Baby Room" to solve special demands of female employees

Zhende Medical's Labor Union has established the "Love Mother-Baby Room", which greatly alleviated the "difficulty" in breastfeeding for new mothers in the workplace. The room is designed with humanistic details and equipped with baby beds, crawling mats, baby wipes, back cushions, dolls and storage boxes. The warm, comfortable, neat and clean private space not only guarantees the privacy of the mothers in breastfeeding, but also prevents them from "carrying breast milk", so that they can work with peace of mind. The Company has provided books on parenting experience for the mothers and toys for children. Parking for pregnant women is available in the basement for easy travel. In addition, the Company also organized activities of sending roses + Zhende gift package on Women's Day to show care and respect to female employees, significantly enhancing their happiness.



Zhende Medical Established the Talent Scholarship to Assist in the Study and Development of Employees' Children

To care for employees and their families, we brought the Talent Scholarship Foundation into being in 2019 to help employees' children to further their studies and develop. Our core value of "success-sharing" was therefore put into practice. In 2024, we distributed the Talent Scholarship to 36 students for the sixth time, with a total amount of RMB108,000. As of the end of 2024, we have accumulatively awarded scholarships to 205 employees' children, with a total amount of RMB 615,000.



The Trade Union organized reading and sharing activities to express attitudes and convey energy

Zhende Medical's Trade Union organized reading and sharing activities every quarter, where employees shared their experience of reading numerous classic books, covering management, logical thinking, literature and other fields. The books shared by the employees not only enriched their knowledge, but also boosted cross-departmental exchanges and cooperation.

Relying on sound hardware facilities, the Company has carries out cultural and sports activities and holiday celebrations which enrich employee lives, promote organizational unity, and demonstrate the power of Zhende. We organized a total of 10 recreational and sports activities, festival celebrations and newcomer greeting activities, enriching employees' cultural life and providing opportunities in do exercises in various activities. At the same time, we encouraged employees to participate in clubs, and established yoga, badminton, table tennis and reading clubs. In 2024, we organized 45 club activities, about 800 participants.



Mid-Autumn Festival Mooncake Making Activities at Shaoxing Headquarters



Women's Day Flower Arrangement Activities at Shaoxing Headquarters



International AWC Product Line Ningde Xiapu Team Building



Frontline Employees One-day Tour Activities at Hengdian

In addition, the Company has also taken measures in various aspects such as enriching food choices, creating leisure space, holding planting activities, and organizing sports events, so as to create a diverse and rich life after work for employees in an all-round way, covering all employees of the Company.

Enrich food choices

- In July, a self-operated dessert and bakery stall was added, offering 45 products, including birthday cakes, bread, and beverages. In August, we took over the "Yican Haofan" rice stall, launching over 70 dishes and group meal sets, serving more than 6,500 customers.

Create leisure space

- In August, a movie theater project with movie and KTV functions was added. Up to now, 138 movies and 32 KTV shows have been played, attracting a total of more than 1,100 participants in the movie theater project.

Hold planting activities

- A new employee vegetable garden project was added, with a total of 48 land plots developed in two phases, and employees took an active part in planting.

Organize sports events

- Five major types of employee activities and competitions, namely rampage, table tennis, badminton, swimming and basketball, with a competition prize of more than RMB 30,000, and a total participants of 920 in the activities and competitions.

The Company listens to the voices of employees, accepts their supervision and takes their suggestions into consideration. We further safeguard their rights and interests through coordinating organization, mechanisms, and measures. We will continue to implement improvement measures to enhance employee satisfaction and work efficiency.

Organizational guarantee

- The Company headquarters and each subsidiary set up trade unions, covering all employees in China.

Institutional guarantee

- Formulate the *Regulations on Workers' Congress* and hold workers' congress regularly.
- Sign a collective contract with all employees in China each year and negotiate the minimum wage standards and payment dates.

Measure-based guarantee

- Adhere to the publicity of factory affairs and make public the Company's relevant systems and regulations, employee benefits and other hot issues of common concern on the OA Intranet.
- Extensively solicit employees' opinions and needs through channels such as democracy discussion meetings, president's suggestion box and satisfaction survey, and measures can be implemented are put into action. For those that cannot be implemented or are difficult to do so are promptly explained to employees, with efforts made to gain their understanding.
- Formulate the *Information Transfer and Communication Control Procedures*, which defines the channels and methods of internal communication among employees (communication channels include the Company's publicity window, general manager's mailbox, internal contact letter, company documents, monthly company newspaper and internal network)
- Set up an employee suggestion box in the restaurant, open it regularly, and ensure a closed-loop management and handling of employee suggestions.

During the reporting period,

the administrative service satisfaction
90.5%

the canteen satisfaction
71.7%

the Trade Union work satisfaction
78.8%

the new employee satisfaction
94%

the employee Net Promoter Score (NPS)
75.55

Employee Training and Development

Sound Talent Development System

In 2024, the Company's internal training for employees highlighted the four directions: skill improvement, leadership development, new employee integration and industry information, covering the topics such as course development, sales skills, leadership improvement, corporate culture and institutional regulations, AI tool use, and foreign market access. More than 2,000 sessions of trainings were performed online and offline throughout the year, covering all the employees, focusing on the enhancement of sales team and management capabilities. The systematic training contributed to the improvement of employee efficiency, management capability and new employee adaptability.

During the reporting period, the Company carried out training on different subjects and levels for all employees

• Training coverage rate 100%	• Total training duration 506,410 hours	• Average training duration per person 64.9 hours
• Total expenditure on training for the Company 2.64 million yuan	• Total training sessions conducted 2,282	

Zhende Medical adheres to the "We Care" philosophy. Based on the self-developed E-learning platform, supported by the internal trainer system and curriculum structure, we have established a talent development system that covers all employees. This can comprehensively improve their know-how and skills, and boost every employee to achieve success.

“Zhende Medical has always deemed employees as the most valuable assets of the Company. The continuous improvement of employees' professional skills, and the continuous enhancement of their social responsibility awareness and environmental protection concept, can inject a steady stream of creativity and innovation into the Company, which has become the core driver to fuel the sustainable development of the Company. Therefore, we are always committed to the in-depth integration of employee training & development with the sustainable development goals of the Company. With the help of a systematic training mechanism, we endeavor to help employees grow, while creating long-term value for the Company and society.”

——Jason Hu, Vice President of Zhende Medical

The Company has continuously improved the *Training Management Regulations*, set up a series of supporting systems which cover the management of lecturers management, courses, expenses, external training, new employee and job transfer training, learning credits, and training administrators. These systems ensure the effective implementation of training and the realization of the Company's talent development strategy.

Diversification and Rights Protection

The Company has upheld the principle of equality and diversity, complied with local policies, and formulated and managed a diversity system. In 2024, the Company received various second and third party social responsibility audits for 12 times, of which all were passed.

— Employee Equality and Diversity Measures —



Diversity of employees

- The Company has treated all ethnic groups equally in the recruitment process. Currently, the Company's employees are from the United States, Kenya, Brazil, Malaysia, the United Kingdom and other countries, and non-Chinese employees account for 16.9%.



Protection of women's rights and interests

- The Company attaches great importance to the proportion of female employees in various posts, including board members, senior management members, R&D personnel, new female employees and others, to ensure that female employees are treated equally in the recruitment and work process.

The Company also offers meticulous care to female employees. In view of most female employees' need to balance family and work, the Company has provided special care in combination with their routine family life. For example, on Women's Day, the Company sent to female employees wonderful holiday gifts, showing blessings and care for them; The Company also set up childcare classes for employees' children to address the problem that parents have no time to look after children during school holidays. The Company allowed female employees to bring their children to workplace on the premise of not interfering with their work. Special care is given in combination with childbirth, holiday child care and others, to remove worries of female employees, so that they can focus more on work and personal development. For pregnant and lactating female employees, if they feel uncomfortable at their original posts, they have the right to negotiate with the Company to adjust their posts or improve their working conditions during the period.

Internal Trainer System

- Develop the *Management Rules for Part-time Internal Trainers*;
- An annual meeting of internal trainers is held every September to review the achievements of the training system in the past year, as well as the contributions of lecturers in teaching and course development, and to commend outstanding internal trainers on site;
- So far, the internal trainer team has developed to over 240 members, including junior, intermediate, and senior lecturers.

Curriculum Structure

- Develop the *Detailed Rules for Curriculum Development and Curriculum Structure Management*;
- Fabricate the annual course development plan through annual training research, develop the curriculum according to the plan, and invite high-level lecturers and executives to participate in course reviews every quarter;
- Based on the empowerment needs of business departments, establish secondary colleges for each structure through the E-Learning platform, and use it as the foundation to build a complete curriculum framework.

In 2024, the Company completed the process-based capacity building by sorting out the overall process, and established and improved the three-level training system for new employees.

Process-based capacity building

- In 2024, we focused on enhancing capabilities across four main processes based on R&D and marketing (domestic TOB process, international TOB process, large retail commodity department process, and new product development process). The initiative covers a total of 25 secondary sub-processes and 121 capabilities. In collaboration with business departments, we have broken down each competency into standard actions, and thus built a process-based curriculum system. We planned to develop 52 courses throughout the year, with 46 of them completed the development review and operation.

Three-level training system for new employees

- We improved the system according to the three-level training and established the standardized process of training new employees in the Company. New employees need to receive trainings at company-level, department-level and post-level courses after entering the Company. In 2024, the new employee onboarding training process (SOP+ online guidance) was established, and the company-level online training courses and offline intensive training courses were iteratively improved.



In 2024, the Company continued to spontaneously mentor and train new employees, reserve cadres and college students in various areas and departments. The Human Resources Department determined mentor selection dimensions and requirements based on the situations of systems and mentors, and organized the annual appraisal for excellent mentors. Furthermore, the Company planned to collect key behaviors of the selected excellent mentors based on the mentor appraisal, extracting their behaviors and traits with Zhende's genes, forming a portrait of Zhende's mentors, and improving the mentor management mechanism.

In addition to internal training and learning activities, the Company has also vigorously supported employees to

participate in external training and education degree enhancement programs for the sake of further improving employee literacy. In 2024, the Company subsidized 20 employees to upgrade their academic degrees, with the fund of up to RMB 23,000. Through the introduction of external resources, 68 employees participated in the external special trainings and received relevant certificates and qualifications.

In 2024, the Company actively implemented the talent introduction strategy. We have cooperated with a number of universities through targeted recruitment programs and school-enterprise cooperation programs to carry out campus recruitment and intern recruitment. The Company continuously expanded and optimized the talent pool, and enhanced core competitiveness in technological innovation to ensure the Company's leading position in the market competition.

The Company has paid attention to cultivating inter-disciplinary talents, and encouraged cross-functional, interdisciplinary job rotation of employees. During the reporting period, we established a job rotation system, revised the *Job Rotation Management Rules*, and proposed key positions for the job rotation plan, and tracked the process. The Company focused on job rotation of three types of people, namely university graduates, employees in key positions and senior executives, and organized job rotation sharing meetings according to actual situations.

— Flow Chart for Rotation System Construction —

System Construction	<ul style="list-style-type: none"> • In 2024, the Company officially launched and completed the construction of the rotation system, revised and released the <i>Rotation Management Rules</i>. The mechanism worked efficiently by implementing the implementation processes such as matching the rotation mentors, releasing plans, following up OA process of the rotation work plan, monitoring monthly reports, rotation reports, and rotation sharing meeting.
Atmosphere Creation	<ul style="list-style-type: none"> • Through the public rotation sharing meeting and reports of Zhende Journal and Zhende Official Account, the Company has fostered a good rotation atmosphere.
Goal Attainment	<ul style="list-style-type: none"> • In 2024, the Company planned to rotate 101 employees (excluding 2 who have resigned and 5 with objective exceptions). As of the end of December, the overall rotation rate was 99.01%, successfully attaining the goal.



Smooth Career Development Channel

Embracing the concept of "We Care", relying on the self-developed E-learning platform and the internal trainer system and curriculum system, the Company has restructured and designed the direction and path of job qualification, dividing development into two tracks: the M-series (management post) and the P-series (professional post). A new job map has been established, creating a transparent and smooth career development channel. In the future, professional titles will replace job levels, and codes will be assigned upon certification. The Company is also restarting the development of qualification standards for all departments, with the formulation and certification process expected to begin in 2025. Additionally, the Company has established a comprehensive reward system to support, encourage, and guide employees in their continuous upward development.

In 2024, the Company launched the "Hang" training camp, which is a leadership development program designed by the Company for backup and on-the-job management personnel. It is designed to enhance management personnel' strategic mindset and leadership skills through intensive training, online courses, and outreach exercises. It had a total of 234 participants in 2024, with the employee coverage rate of 13.2%. The Hang programs implemented during the reporting period included the Linghang program, Huhang program, Qihang program and Ruihang program.

This training program designed for grassroots cadres of large retail has a training duration of 3.5 months. **26** grassroots cadres are trained and empowered through online course learning, offline empowerment, and reading sharing.



The "Linghang Program - Senior Leadership Training Camp" designed for future executives, covers a total of **34** participants. Internal and external training resources are integrated through the four modules of digital transformation, transformational leadership& culture, organization building, and market and customer, with a training duration of 1 year.



The "Huhang Program" designed for talents entering Library C and D in annual talent review. A total of more than **120** participants are divided into two training camps.

The "Qihang Program" designed for the grass-roots production cadres in the supply chain, covers a total of **54** participants, **33** courses and **51** class hours. It is developed and taught by **34** mentors of the Company, with a training duration of 4 months.

In order to attract and retain core talents, foster the common growth of both the Company and employees, and offer talents a stage to tap their capabilities; Zhende Medical has implemented various incentive measures, including equity incentive and option incentive. Furthermore, the Company has combined with the talent policy of the local government to positively pursue the corresponding talent incentives for employees.

In 2024, the Company made a talent review of all employees, performed multidimensional evaluations of all employees such as capability evaluation, performance evaluation and values evaluation, and finally produced the review results through the nine-square grid tool and calibration meetings. The final annual review results of all employees provide a reference for the candidate for 2025 Linghang program- backup talents for senior management, Huhang program – backup talents for middle management, and Qihang program – backup talents for basic management, involving a total of more than 1,600 employees.

Occupational Health and Safety

Governance

The Company has attached great importance to the occupational health and safety of its employees, and strictly complied with the *Production Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and other laws and regulations and related requirements in the course of production and operation.

The Company has continued to optimize the occupational health and safety management structure of the headquarters and subsidiaries, and set up a comprehensive and efficient management system. At the headquarters level, the Company has established an ESG Management Committee, and the ESG Office under the President Office is responsible for the construction and operation of the EHS management system. In addition, EHS contact personnel are designated in each department of the headquarters, and EHS departments are established in subsidiaries, which are in charge of boosting the implementation of EHS related systems and policies of the Company. The Company has formulated the *EHS Change Management Rules*, *EHS Supervision and Inspection and Hidden Danger Rectification Management System*, *EHS Training and Education Management Rules*, *Hazard Source Identification and Evaluation Control Management Rules*, *Occupational Health Physical Examination Management System*, *Labor Protective Equipment Management System* and other internal systems, and updated the *EHS Accident Management Rules* during the reporting period, thus contributing to the constant improvement of occupational health and safety management requirements.

During the reporting period, Zhende Medical and its **11** subsidiary companies passed the ISO 45001 Occupational Health and Safety Management System Certification.

Strategies

Zhende Medical has embraced the work policy of occupational health and safety highlighting prevention, and promptly identified and removed occupational health and safety risk points by implementing hierarchical control of safety risks, regularly identifying danger sources, investigating hidden dangers and taking other management measures, thereby contributing to the formation of a complete closed-loop management mechanism. On this basis, the Company has continued to boost the cultivation of occupational health and safety culture, and held regular theme activities to raise employees' safety awareness, and create a favorable occupational health and safety culture atmosphere, demonstrating its commitment to fostering a safe, healthy and sustainable working environment.



“The health and safety of employees is always our core work. By optimizing the production layout and introducing environmental protection equipment, we can effectively mitigate potential hazards in the workplace; we regularly held comprehensive safety training, support employees with professional protective equipment. In addition, we continue to improve the safety management system, intensify the supervision and assessment mechanism, and ensure that all measures are put in place. This series of measures have deeply integrated health and safety into ESG practice, thus fostering a safe and healthy working environment for employees and achieving the win-win situation of the Company and society.”

——Anthony Dong, Director of ESG Management Committee Office of Zhende Medical

Management of Impact, Risk and Opportunity

The Company has relied on hazard identification to systematically review the occupational health risks and potential opportunities involved in the production and operations process. The Company has specified management methods and requirements for key processes such as risk point identification, hazard identification, and risk assessment. They proactively identified risks and developed targeted control measures based on the risk levels, thereby effectively reducing the likelihood of risk occurrence and ensuring the occupational health and safety of employees. During the reporting period, the Company did not experience any major safety responsibility accidents.

— Major Measures for Occupational Health and Safety Protection of Zhende Medical —

Hierarchical security control

- Develop 1-5 classes of accident control indicators and cascade the objectives at all levels in the form of signing EHS responsibility letters.

Hazard identification, assessment and control

- Regularly identify, evaluate, control and update the hazards arising from the production activities and routine management of the Company;
- The managers taking on important positions regularly observe safety behaviors, and relevant team leaders regularly organize risk prediction activities.

Detection and prevention of occupational hazards

- Make regular tests of occupational hazards to determine the posts and employees related to hazards. The occupational hazards regarding the Company mainly include noises, heat strokes, electric ophthalmia, chemical skin burns and others;
- Regular occupational health inspections;
- Distribute labor protection equipment to employees in specific posts;
- Establish the files of employees taking on occupational hazard positions to achieve "one file for one employee".

Regular inspections and hazard rectifications

- Conduct quarterly, monthly, and daily inspections;
- Relevant personnel carry out routine inspections, regular inspections, special inspections, comprehensive inspections, and require to make rectifications for the hazards within a fixed period of time;
- Make EHS supervision on relevant parties, examine and approve hazardous work behaviors and implement safety measures.

Production equipment safety protection

- Carry out the "three simultaneous" measures for the changed project to ensure the essential safety level of equipment and facilities;
- Standardize the safety management of special equipment to ensure the safe and compliance operation of special equipment.

In order to strengthen the safety awareness of employees and enhance the relevant skills of employees, the Company planned the theme activities of "production Safety Month" every year, and continued to organize occupational health and safety theme training covering all employees or employees in specific posts. During the reporting period, the Company organized multiple sessions of occupational health and safety trainings on key contents such as special equipment safety, electrical safety, mechanical safety and forklift safety management, with a total of 56,826 employees participating in the trainings. In addition, the Company organized the executives above team leader level to receive offline examinations four times a year, and front-line employees to receive online safety tests to determine the training effect, thereby further consolidating employees' occupational health and safety knowledge level and their practical operating capability.

— Occupational Health and Safety Themed Training of Zhende Medical —

Trainees	Training Theme
New employee	Safety education and training at three levels (factory level, workshop level, team level)
Employees in specific positions	Certification training for special operation personnel, safety management personnel and responsible persons, occupational health training
All employees	Festival safety, site safety, hazardous chemicals cabinet safety, related party construction disclosure safety, limited space safety, special equipment safety, electrical safety, mechanical safety, forklift safety management, environmental protection knowledge, industrial injury prevention and so on

Occupational Health and Safety Training Test Performance Highlights of Zhende Medical in 2024

• **442** executives attended the offline examination, with the pass rate of up to **98.3%**

• **6,044** front-line employees received online safety tests, with the pass rate of up to **96.7%**



Carried out a series of "Safety Month" activities to raise employees' safety awareness

- Publicized related policies and guidelines, laws and regulations and elementary knowledge on safety production, fire control, occupational health and others by hanging the "Production Safety Month" banner, placing the "Production Safety Month" thematic display board, and using the LED display to roll the activity slogan
- Organized occupational health and safety training to strengthen employees' awareness of occupational hazards
- Held KYT activities with the theme of "ethylene oxide dosing operation", identified 11 hazards from the chemical dosing process, labeled 4 important hazards and proposed 8 countermeasures
- Held two safety behavior observations on skin care powder making and glue making activities, identified 6 unsafe behaviors, discovered 17 hazards, and formulated 19 risk control measures
- Organized the "30-second emergency fire extinguishing capability" assessment activity, and randomly inspected the emergency fire extinguishing capability of workshop employees
- Carried out fire competition activities, covering fire clothing wearing, fire extinguisher extinguishing, double people hose-carrying shuttle run, and double people hose coupling, with a total of 6 teams participating in the competition.



Phase I "Safety Month" Campaign in Kenya



Carried out emergency drill activities to enhance emergency response capability

- In May 2024, the Company organized an emergency drill coping with chemicals leakage, and carried out theoretical and practical training on the use of fire extinguishers, gas masks and alarms at the same time, with a total of **35** participants.
- In July 2024, the manufacturing workshop of the Company organized fire emergency evacuation drills, and held the theoretical and practical training on the use of fire extinguishers, hydrants and alarms, with a total of **128** participants.



Emergency Drills

Indicators and Targets

Injury rate per 1,000 people

Target

<0.5

Progress towards the target during the reporting period

0.38



06

Promoting Green Development



- Environmental Management System
- Resource Conservation and Utilization
- Climate Change Mitigation and Adaptation

KPI and target values by 2030	Goals by 2025	Actual performance in 2023	Actual performance in 2024	Progress
All factories pass the ISO 14001 certification.	1. All factories that have passed the ISO 14001 certification maintain the certification. 2. New factories (e.g. Kenya phase 2 factory) pass the certification.	66.67%	100%	↑
Environment-friendly packaging materials for finished products account for over 80%.	68%	65%	68%	↑
The Company plans to join the SBTi and will set target values based on the goals established by the SBTi.	Reduce by 6%	Reduce by 8.3%	Reduce by 5.8%	↓
Renewable electricity accounts for over 30% of total electricity consumption.	>24%	11.1%	20%	↑

Environmental Management System

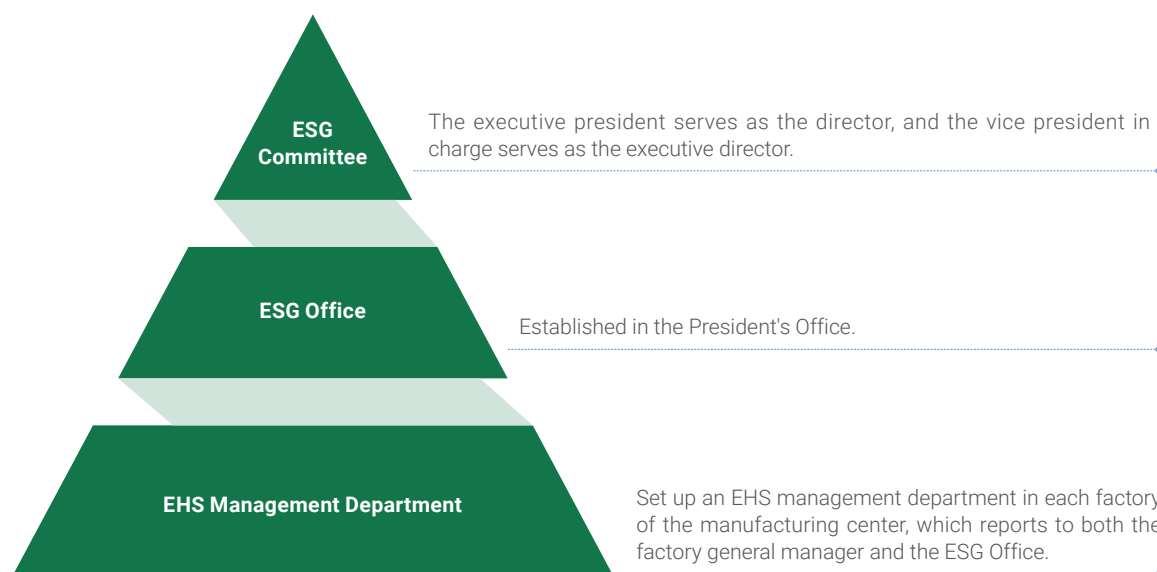
Environmental Compliance Management

Governance

The Company adheres to the concept of green development, establishes and improves an environmental management system. The Company identifies the environmental laws and regulations it uses and conducts compliance evaluations, mainly including the *Environmental Protection Law*, the *Law on Environmental Impact Assessment*, the *Water Pollution Prevention and Control Law*, the *Law on Air Pollution Prevention and Control*, the *Law on the Prevention and Control of Environmental Pollution by Solid Wastes*, the *Law on the Prevention and Control of Environmental Noise Pollution*, as well as the *Regulations on the Administration of Environmental Protection for Construction Projects*, etc. We have formulated pollution prevention and compliance discharge systems such as the *Environmental Protection Facility Management System*, covering management regulations in terms of exhaust gas emissions, wastewater discharges, and waste management. An environmental management organizational structure covering the headquarters and all subsidiaries is established and environmental supervision and management for the headquarters and all subsidiaries is carried out through statements and other forms.

In 2024, the Company invested RMB **11.78** million in environmental protection. During the reporting period, all environmental protection facilities operated normally. New investment projects adhered to local laws, regulations, and policy standards regarding environmental management at their operational sites. There were no incidents of violating environmental protection laws or regulations. Xuchang Zhende was awarded honorary titles such as the provincial-level "Green Factory" and municipal-level "Waste-Free Factory".

— Environmental Governance Framework of Zhende Medical —



Strategies

This year, the Company has formulated the *Environmental Management Statement*, which clarifies the environmental compliance management policy. It is committed to reducing the discharge of wastewater and emission of waste gas, the generation of wastes and noises during the production process. It promises to reduce environmental hazards by using alternative materials that are less hazardous or less toxic.



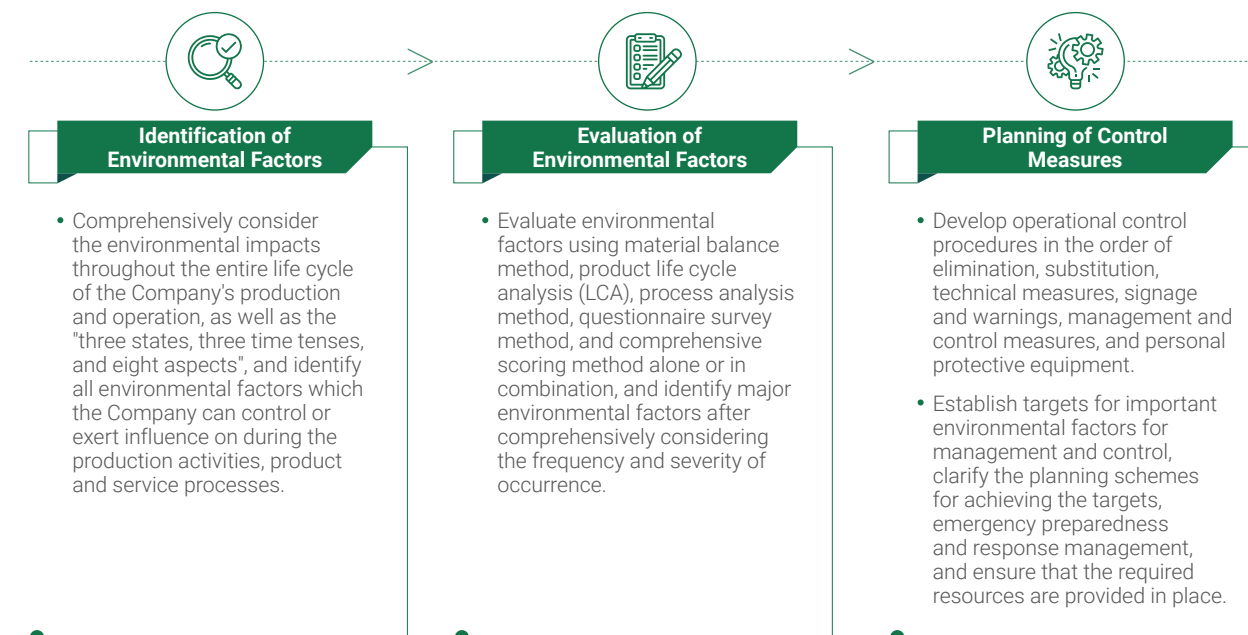
“According to the Company's sustainable development plan, we will upgrade production equipment and optimize the technological process to reduce greenhouse gas emissions during the production process and gradually phase out high-energy-consuming equipment; actively purchase green electricity, increase the proportion of renewable energy use, and reduce carbon emissions caused by electricity consumption. Meanwhile, the Company implements the lean manufacturing concept. By reducing waste, improving resource utilization efficiency, optimizing inventory management and production scheduling, we will further reduce energy and raw material consumption. Through these measures, Zhende Medical actively fulfills its environmental responsibilities while achieving economic benefits and promotes the sustainable development of the industry.”

——Bric Long, Vice President of Zhende Medical

Management of Impact, Risk and Opportunity

The Company has formulated the *Procedure for Identification of Environmental Factors and Risk Assessment and Control*, which stipulates the processes and methods for the identification and evaluation of environmental factors. It identifies, evaluates, controls and updates the environmental factors that can be controlled and those on which an impact can be exerted in the Company's activities, products and services, so as to determine the significant environmental factors, provide a basis for formulating environmental objectives and indicators, and effectively control environmental risks.

— Environmental Governance Framework of Zhende Medical —



To implement the environmental management system, the Company has established a comprehensive and multi-dimensional environmental protection approach. It covers various aspects, including environmental protection training, 5S inspections to standardize electricity usage across all modules, and the development of environmental emergency response mechanisms. Through meticulous management practices, we aim to continuously enhance our environmental awareness and environmental management capabilities.

Environmental Training

- We actively organize environmental training covering topics such as relevant laws and regulations, emission standards, analysis of key provisions, standardized environmental management, and case studies. During the reporting period, Shaoxing Factory organized training on laws and regulations related to environmental protection, and offered online and offline training, with 44 participants. In May 2024, we held a sharing session on the theme of "Sharing Environmental Protection Related Laws and Regulations" for various departments, workshop managers and EHS staffs, with a total of 24 participants. Through case analysis and other forms, we taught relevant personnel the basic knowledge and practical application of environmental protection laws and regulations, improved their awareness of the rule of law and responsibility, and promoted the continuous conduct of environmental protection work.

5S Inspections

- We conduct 5S (Sort, Set in Order, Shine, Standardize, Sustain) inspections of energy consumption to enhance all employees' water and electricity conservation awareness, and analyze current environmental pain points based on proposals for improvements.

Emergency Response Plan and Drill

- We have developed the *Environmental Emergency Response Plan* and the *Comprehensive Emergency Rescue Plan for Safety Production Accidents*, along with specialized emergency plans. These plans detail management measures and handling procedures for environmental emergencies, based on environmental risk assessments and internal emergency supply investigations. Additionally, we conduct annual emergency training and drills for various environmental incidents, which effectively enhance our emergency response capabilities. During the reporting period, the Company carried out 11 environmental emergency drills.

Technical Transformation Project for Coating VOCs (Volatile Organic Compounds)

This year, the Company has carried out the VOCs technical transformation project for coating and achieved substantial progress. Through the in-depth analysis of regulations and policies and the evaluation of the current environmental management level, the Company has scientifically set project enhancement targets, systematically carried out root cause studies, and innovatively formulated a series of high-efficiency solutions. These initiatives have enabled the Company to achieve significant breakthroughs in the field of VOCs treatment: treatment efficiency has been significantly improved, a perfect monitoring system for coating VOCs emissions has been established, and significant progress has been made in RTO (Regenerative Thermal Oxidizer) exhaust gas treatment technology.



The project has been continuously optimized since implementation, maintaining compliance with emission standards for coating VOCs while maintaining excellent control of operating costs, which are only 3%-5% of other similar RTO technologies. The project has been so effective that it has not only significantly reduced the number of exhaust gas-related complaints, but also won the recognition of the regulatory authorities. In the future, the Company will continue to improve the construction of standardized system for VOCs treatment, expand the scope of technology application, and provide solid support for Zhende Medical to build a green, compliant and sustainable operation mode.



Indicators and targets

ISO 14001 system certification coverage		
Target	100% of factories have passed ISO 14001 system certification	Progress in achieving the target during the reporting period 100%

Emissions and Waste

Zhende Medical has developed systems such as the *Water Pollution Prevention and Control Management System*, the *Air Pollution Prevention and Control Management System*, and the *Solid Waste Pollution Prevention and Control Management System*, and implemented comprehensive management of pollutant discharge and waste treatment accordingly. During the reporting period, the headquarters and all subsidiaries adhered to discharge standards for wastewater and waste gas and policy standards for waste disposal. Moreover, a third-party testing agency was commissioned to test pollution sources including wastewater, waste gas and boundary noise. The testing results showed that all indicators met relevant discharge standards and there was no significant impact on the surrounding environment.

Management Requirements and Treatment Methods for Emissions and Wastes

 Wastewater	<ul style="list-style-type: none">• Applicable standards: <i>Integrated Wastewater Discharge Standard</i> (GB 8978-1996) <i>Indirect Discharge Limits of Nitrogen and Phosphorus Pollutants from Industrial Enterprises</i> (DB33/ 887-2013)• Key control indicators: pH, ammonia nitrogen, suspended solids, chemical oxygen demand (COD), five-day biochemical oxygen demand (BOD5)• Discharge types: production wastewater and domestic sewage. Among them, production wastewater mainly comes from the de-bleaching process, and domestic wastewater mainly comes from office, canteen cooking, etc.• Method of disposal: All wastewater is treated by the physical and chemical and biochemical treatment process of the factory sewage treatment station and discharged into the municipal sewage network after reaching the discharge standard.
 Waste gas	<ul style="list-style-type: none">• Applicable standards: <i>Comprehensive Emission Standard for Air Pollutants</i> (GB 16297-1996), <i>Emission Standard for Boiler Air Pollutants</i> (GB 13271-2014)• Key control indicators: Non-methane hydrocarbons, nitrogen oxides, particulate matter, sulfur dioxide, ethylene oxide, and odor.• Emission types: Processes such as printing and coating, sterilization, and boiler combustion, etc.• Methods of disposal: Different types of waste gases are treated by washing purification and activated carbon adsorption purification facilities, multi-stage (sulfuric acid) washing tower purification facilities, etc.; for some waste gases containing cotton dust, a dust collecting unit is used to remove the cotton dust.



General solid wastes

- **Discharge types:** General solid waste mainly comes from production, office and other processes, and includes recyclable materials, leftovers and unqualified products.
- **Disposal method:** The leftovers from the injection molding are crushed by a line-edge powder shaking machine and then recycled; recyclable materials such as waste cardboard, leftovers of other products and unqualified products are handed over to third parties for recycling or solid waste environmental protection units for disposal.



Hazardous wastes

- **Applicable standards:** *National Catalogue of Hazardous Wastes, Management Regulation on Hazardous Wastes Manifests.*
- **Discharge types:** mainly including waste acrylic glue generated during the coating process, waste activated carbon generated during the waste gas purification process, chemical packaging barrels for the use of chemicals, etc.
- **Disposal method:** a qualified third-party hazardous waste disposal agency is entrusted for disposal of hazardous wastes.

Protection of Ecosystems and Biological Diversity

The Company is committed to respecting and protecting local biological diversity and endeavors to minimize the negative impacts of its operations on wildlife populations and habitats. In the Company's operational activities, the design, construction, acceptance, and operation of new or expanded factory buildings or product operation projects, the generation, treatment, and discharge of waste during factory operations, the design of environmental emergency response plans, as well as the handling and follow-up processes in the events of environmental emergencies all involve the protection of ecosystems and biological diversity.

The Company complies with all relevant national and local laws, regulations, and provisions in the locations where its factories are situated, as well as the binding clauses of generally recognized international organizations, industry regulations, and the supplier codes of conduct of its core customers. During the reporting period, the Company formulated the *Management Procedure for Ecosystem and Biological Diversity Protection* and defined the corresponding risk assessment management process. Every year, the LEC (Likelihood-Exposure-Consequence) method is used for risk classification, and corresponding preventive and disposal measures are formulated for different risk levels to ensure that operational activities meet the requirements of biological diversity protection, continuously improve the level of ecological environment management, and contribute to the protection of the stability and diversity of regional ecosystems.

The *EU Deforestation Regulation* (EUDR) came into effect at the end of 2024, requiring forestry and agricultural products sold to the EU to provide evidence of no deforestation. The period of prosecution extends back to the end of 2020, and violations will result in huge fines and market exclusion. To proactively address the potential impacts of the *EU Deforestation Regulation*, the Company established a special response team in September 2024 to coordinate and promote related work. The response team organized internal training to enhance the understanding of regulatory requirements and compliance awareness of relevant personnel. Based on the product list specified in the regulation and the customs codes of the Company's export products, the list of potentially affected products is sorted out and identified. Meanwhile, the Company actively communicated and collaborated with customers, collected and organized compliance evidence for the identified products, and provided relevant materials for customers to review and file for record, so as to meet the EU's review requirements and ensure the stable and compliant operation of its business.

Resource Conservation and Utilization

Zhende Medical attaches great importance to the conservation and efficient utilization of resources. Upholding the concept of green and low-carbon development, the Company continuously promotes the refined management of energy, improves the utilization efficiency of resources such as water, electricity, and steam, and reduces resource consumption. By establishing and improving the energy management system and strengthening the control of the whole process and various links, the Company constantly improves the management mechanism and optimizes the energy consumption structure to support sustainable operations.

The Company adopts a matrix management model. The President's Office coordinates and promotes energy management, and the Power Department is responsible for the operation and management of energy facilities such as water, electricity, steam, AGVs, air conditioners, and air compressors. The manager of the Power Department serves as the head in charge of energy management and reports directly to the Assistant General Manager of the Manufacturing Center. In addition, the manager also provides feedback on the energy management of each factory to the general managers of each factory, ensuring the efficient implementation of energy management measures and guaranteeing the green and orderly production and operation.

Energy Management

Zhende Medical adheres to the energy management policy of "energy conservation and emission reduction, full participation, continuous improvement, and the pursuit of excellence". The Company aims to achieve the goal of energy conservation and consumption reduction through cultural guidance, professional supervision, process control and full participation. It also commits to improving the energy utilization efficiency in the processes of procurement, production, operation, and sales, as well as increasing the utilization rate of renewable energy sources such as solar energy, wind energy, and tidal energy, so as to mitigate the negative impacts of climate change.

The types of energy used in Zhende's operation include natural gas, gasoline and diesel consumed by its own vehicles, electricity and steam. Among them, electricity includes electricity from municipal facilities and self-built solar panels, and purchased renewable electricity. We adhere to relevant regulations for energy management, and have established procedural documents, such as the *Energy Management System*, the *Energy Review Management Rules*, the *Main Energy-Consuming Equipment Management Rules*, and the *Energy Management Assessment System*, to standardize the construction of our energy management system.

The Company regularly conducts risk diagnoses on the energy management of each base. Based on the energy management diagnosis results of Xuchang Zhende and Xuchang Zhengde during the reporting period, we have formulated an energy conservation and consumption reduction plan. It is expected that a 15% reduction in energy consumption can be achieved after rectification, and the plan is considered to be promoted and implemented in other factories according to the actual energy consumption reduction effect. Meanwhile, we continuously improve the construction of the energy management system by referring to standards such as ISO 50001, to further standardize the Company's energy use. As of the end of the reporting period, the Company's subsidiaries Shaoxing Zhende and Xuchang Zhengde have obtained the ISO 50001 energy management system certification.

During the reporting period

- Electricity from renewable energy sources accounted for **20%** of the Company's total energy use.

Note 1: The data involves all operational sites.

In 2024, Zhende has comprehensively reviewed its energy structure, and implemented measures such as using clean energy, adopting energy-saving equipment, and carrying out intelligent control transformation, to optimize the energy structure and enhance overall energy efficiency.

— Achievements of Energy-saving Equipment Replacement in 2024 —

- In the casting workshop of Xuchang Zhengde, the casting machine requires cold water for equipment cooling during operation. The previous cooling method used a lithium bromide air conditioner to produce cold water for equipment cooling. After technological transformation and intelligent control transformation, the cooling tower is utilized to take advantage of the external environment in winter for equipment cooling, which can save **1,334** tons of steam per year.
- In 2024, the air compressors of Xuchang Zhengde and Xuchang Zhende underwent intelligent transformation, achieving linkage of the air compressors. This reduces the number of unloading times of the air compressors and decreases the load of the air compressors during meal and rest times, thereby reducing energy consumption. This can save **100,000** kW·h of electricity per year.
- The previously used aeration fan motor in the sewage station of Xuchang Zhende was a common motor, which had high power consumption. After equipment upgrading, the aeration fan was replaced with a high-tech, green, energy-saving and environmentally friendly magnetic levitation motor. This fan is highly efficient and more energy-saving, which can save **120,000** kW·h of electricity per year.

In the future, we plan to build an Energy Management Business Intelligence (BI) system. Through digital management tools, the centralized monitoring, analysis, and early warning of energy data can be achieved, the potential for energy conservation is explored to assist in achieving refined energy consumption and continuously optimizing the energy structure.

Utilization of Water Resources

We are committed to implementing actions to reduce water resource consumption, improve resource utilization efficiency, minimize resource waste, and promote sustainable development. The Company responsibly handles water and other natural resources. The water resources used in the operation of Zhende Medical come from municipal water supply, surface water, and recycled water. For the extraction of surface water, the Company applies for a water intake permit in accordance with regulations, pays water resource fees on time, and has no significant environmental impact in terms of water source acquisition.

Poor water resource management may lead to an increase in water intake fees and a rise in operating costs. In 2024, a comprehensive review of water usage situation in Xuchang Prefecture was conducted, and it was planned to launch three projects in 2025, namely the recovery of steam condensate water, the recovery of concentrated water, and the recycling and utilization of reclaimed water from the sewage treatment plant. It is expected that upon the completion of the construction, the overall recycled water volume will reach 91.6% of the total water consumption. In addition to encouraging employees to carry out technological transformations for water conservation during the production process, the Company also advocates water conservation among employees in daily life, requiring them to turn off faucets promptly and achieve the reuse of water resources.

During the reporting period

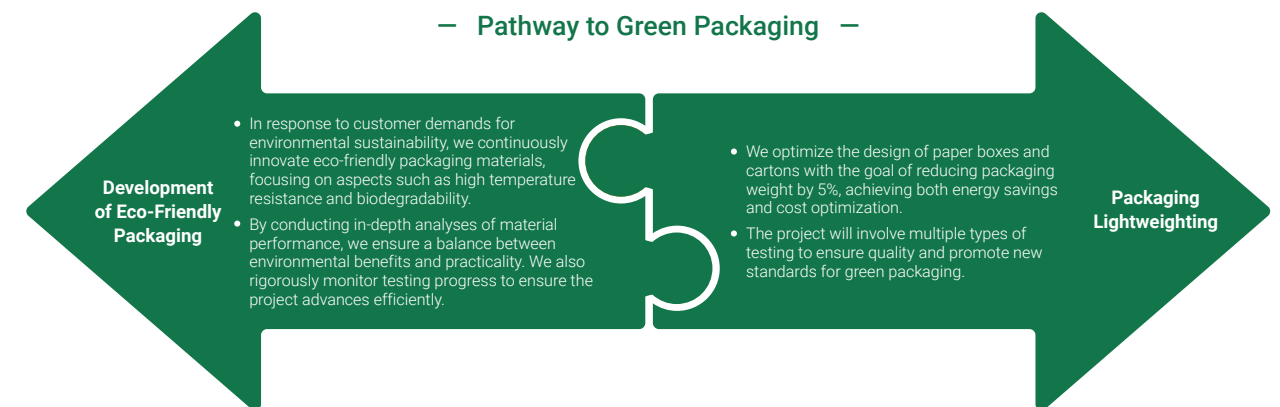
- the proportion of recycled water used by the Company¹ reached **52.05%**.

Note 1: The data involves all operational sites.

Raw Material and Packaging Management

The Company is committed to minimizing the waste of resources and environmental damage during the operation process, and promoting the transformation of the enterprise towards a circular economy. The product packaging of the Company adheres to the basic principles of "lightweight, recyclability, and biodegradability". It adopts a lightweight strategy to optimize the design, reduce the use of materials, improve recyclability, and decrease resource consumption and environmental pollution, so as to provide more environmentally friendly and sustainable products and services. The main raw materials used in the Company's production include non-woven fabrics, cotton fabrics, and melt-blown fabrics, etc., and the packaging materials mainly include plastics and cardboard. The Company standardizes the transportation and use of raw materials and packaging materials, and through measures such as lean management and upgrading the warehouse management system, it continuously reduces the loss and waste of raw materials and packaging materials, and improves the utilization rate of resources. In addition, driven by the concept of green development, the Company actively promotes the development of low-carbon products, selects green and environmentally friendly production raw materials and packaging materials, reducing the environmental impact of material use.

— Pathway to Green Packaging —



In the exploration and practice of recyclable and eco-friendly packaging, the Company is committed to driving a sustainable revolution in an innovative way. While meeting the increasingly stringent global environmental protection and packaging regulations, it helps customers achieve their environmental goals and lead the green transformation of the industry. Through continuous breakthroughs and innovations, the Company has made positive progress in reducing carbon emissions throughout the product life cycle, contributing to a sustainable future.

Development of Eco-friendly Cubic Bags to Promote Green Transformation of Packaging

The Company actively implements the concept of environmental protection. For cubic bag packaging with relatively low performance requirements, we promote the development and application of degradable materials, replace traditional plastics with degradable and eco-friendly materials to reduce the environmental impact during the usage process, and further reduce the burden caused by packaging waste and promote the green upgrade of packaging.

During the reporting period

- **68%** of the Company's¹ finished products used recyclable packaging materials.

Note 1: The data involves all operational sites.

In packaging lightweighting, the Company has promoted a green upgrade of product packaging through detailed design and material optimization. This effort has enabled a reduction in packaging weight and contributed significantly to the development of a green supply chain in the medical field, in addition to reduction in the Company's operating costs.

Optimization of Paper Tube Bag Packaging

The Company has launched optimization for the packaging materials of paper tube bags. After performance and practicality tests, the previously used 80g RST paper has been changed to 70g ST paper. This achieved a cost optimization of 30% while ensuring no influence on the packaging performance and usage strength.

Optimization of Alcohol Swab Packaging

Regarding the packaging of alcohol swabs, the Company has optimized and adjusted the thickness of the aluminum film while ensuring product performance and safety. Due to the volatility and flammability of alcohol in alcohol swabs, an aluminum film is used as a barrier material to prevent the diffusion of alcohol molecules. Through scientific verification, the Company has successfully reduced the thickness of the aluminum film used in the packaging of alcohol swabs from 101g to 73g, achieving a cost optimization of 25%. In 2024, a total of 3,500 kilograms of aluminum film were saved.

Climate Change Mitigation and Adaptation

Zhende Medical has made constant and proactive efforts to improve its climate change response mechanisms in alignment with relevant policies and guidelines. In 2023, the Company enhanced its climate change response mechanisms in the dimensions of governance, strategies, risk management, and indicators and targets by referencing the requirements of the *International Financial Reporting Standard for Sustainability Disclosure No. 2—Climate-related Disclosures* (IFRS S2).

Governance

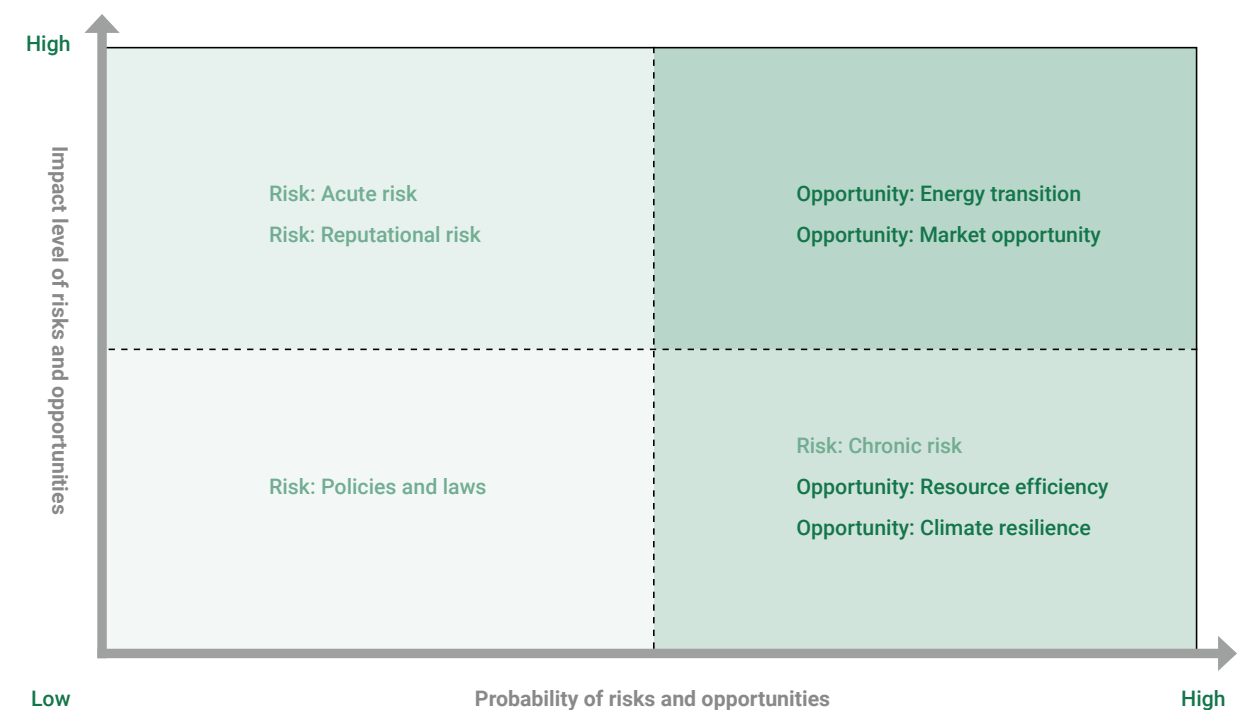
The Company has issued the *Climate Change Response Policy* this year, committing to following the Science Based Targets Initiative (SBTi), conducting comprehensive three-carbon emission verification, and formulating a carbon emission reduction pathway plan. In addition, the Company plans to disclose its organizational carbon emissions and climate response strategies and plans to stakeholders through the CDP to enhance the transparency of climate governance. Climate change is incorporated into the Company's ESG management system. The Board of Directors, as the highest authority for climate governance, formulates and coordinates climate change response strategies, reviews climate-related management targets, such as greenhouse gas emissions, and assesses progress. The ESG Management Committee, as the decision-making and supervisory body in ESG management, identifies, prioritizes, analyzes, and manages climate risks and opportunities, sets climate-related goals, and oversees and supports specific initiatives. The Committee regularly reports on climate change response activities to the Board. The ESG Office, as the executive body of ESG management, implements and advances climate-related management tasks. It collaborates with relevant functional and business departments to integrate climate management into daily operations. Through energy-saving technological upgrades, transition to clean energy, and awareness training, the office aims to enhance climate management performance and achieve climate change management goals.

Besides, the Company integrates greenhouse gas emissions performance into the long-term incentive plans for senior executives to encourage sustained economic and shareholder value creation.

Strategies

To address the increasingly severe challenges posed by climate change to human society and corporate operations, the Company is committed to mitigating climate change by improving energy efficiency and the utilization rate of renewable energy in the procurement, production, and operation processes.

— Climate Risk and Opportunity Matrix of Zhende Medical —



— Major Climate Risks and Opportunities for Zhende Medical —

Climate Risks and Opportunities	Description	Potential Impact	
		Duration	Financial Impact
Risk: Acute physical risk	Extreme weather events triggered by climate change, such as frequent hurricanes and floods, may lead to severe consequences for the Company, including asset damage, casualties, and disruptions to business operations, forcing the Company to take immediate response measures and invest substantial resources to restore normal R&D and production as quickly as possible.	Short-mid term	Operating revenue ▼ Operating costs ▲
Risk: Reputational risk	With the release of China's 'dual carbon' goals and growing focus on low-carbon transformation both domestically and internationally, the Company risks damaging its reputation if it does not take proactive and effective climate actions and timely disclose relevant information to meet external stakeholder demands.	Short-mid term	Operating revenue ▼
Risk: Chronic physical risk	Long-term climate changes, including persistent high temperatures, may impact the Company's daily operations and lead to rising sea levels or ongoing heatwaves. For facilities near coastal areas, these changes could result in asset damage and may force the Company to consider relocating or adjusting work hours to adapt to changes in the coastline and sustained high temperatures.	Long term	Operating costs ▲
Risk: Policies and laws	Domestic and international climate policies and regulations are increasingly focused on encouraging companies to take proactive measures to address climate change and imposing restrictions on activities that may worsen it. To adapt, the Company must promptly adjust its strategies related to energy consumption, emissions, and climate information disclosure; otherwise, it may face legal action and liability for failing to meet environmental management standards.	Short-mid term	Operating costs ▲ Operating revenue ▼
Opportunity: Energy transition	With advancements in green energy technologies and the introduction of supportive policies, renewable energy sources are becoming more accessible and their prices are expected to steadily decrease. Proactively adjusting the energy consumption structure will not only help the Company reduce energy costs but also effectively address the low-carbon challenges posed by regulatory requirements and end-market demands.	Mid-long term	Operating costs ▼
Opportunity: Market opportunity	With growing global attention to climate issues and the release of the "dual carbon" goals, green and sustainable products and services will be increasingly expected by the market and the public. Therefore, focusing on developing and providing climate and environment-friendly products will inject new momentum into the Company's business development and revenue growth.	Mid-long term	Operating revenue ▲
Opportunity: Resource efficiency	By improving the efficiency of energy, water, and raw material usage, vigorously implementing green production practices, and establishing a comprehensive resource management system, the Company can effectively reduce resource waste, lower operational costs, and achieve steady low-carbon development.	Mid-long term	Operating costs ▼
Opportunity: Climate resilience	By selecting environmentally friendly suppliers, and strengthening carbon emissions measurement and control capabilities, the Company can adapt more quickly to climate change. This will lay a solid foundation for us to seize climate-related business opportunities and further enhance the stability of our assets and daily operations, thereby positioning the Company advantageously in future industry competition.	Long term	Operating costs ▼

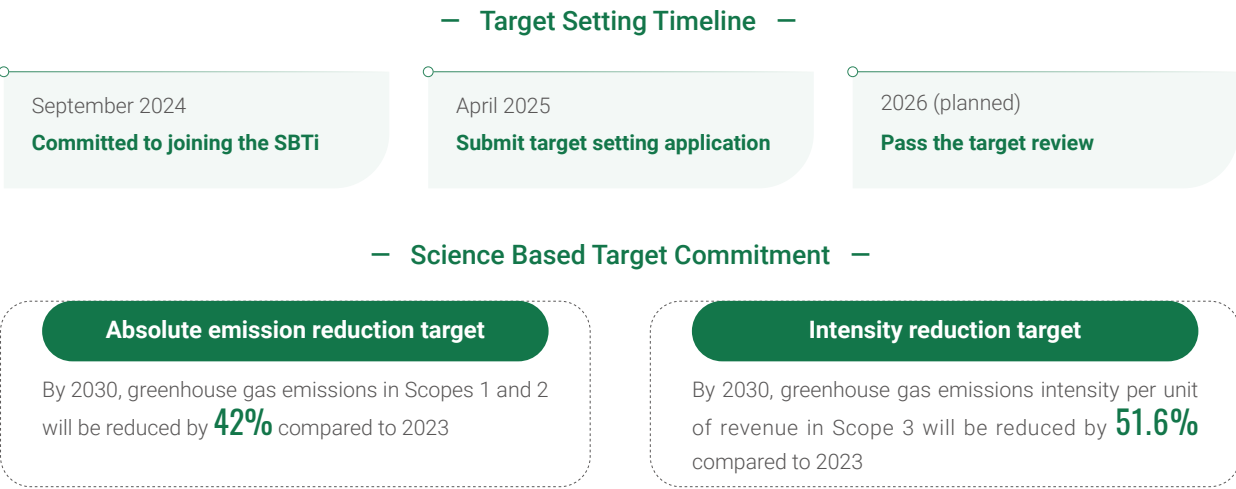
Management of Impact, Risk and Opportunity

Zhende Medical regularly identifies and assesses potential climate-related risks and opportunities in operations based on regional characteristics, industry attributes, and other factors, creating a climate risk and opportunity assessment matrix. By evaluating the likelihood and impact of these risks and opportunities, the Company prioritizes them as the basis for decision-making in climate change response strategies and action plans, which supports its progress in a complex and changing climate environment. Additionally, we communicate regularly with stakeholders including customers, suppliers, and investors to gather their opinions and suggestions on climate-related risks and opportunities.

Climate-related risks are integrated into the Company's overall risk management framework. We have established a cross-departmental climate risk management and coordination mechanism led by the ESG Office, aiming to enhance climate risk managements through annual performance data tracking and target evaluation. Moreover, the management of climate risks and opportunities is integrated into the Company's strategy and decision-making process. The Company is committed to achieving carbon neutrality in its own operations and value chain by means of measures such as the R&D of low-carbon products, the application of clean energy, the optimization of equipment and processes, and green office practices, so as to seize new market opportunities.

Indicators and Targets

In order to address the challenges posed by global warming, Zhende Medical has actively responded to the *Paris Agreement* and the Chinese government's "3060" dual-carbon target, and officially joined the SBTi (Science Based Targets Initiative) in 2024, promising the public to formulate carbon emission reduction targets and implementation paths in line with SBTi standards.





Being A Reliable Partner



- Innovative Solutions
- Safety and Quality of Product and Service
- Data Security and Privacy Protection
- Sustainable Supply Chain
- Community Communication and Development
- Industry Exchange and Cooperation

KPI and target values by 2030		Goals by 2025	Actual performance in 2023	Actual performance in 2024	Progress
100% maintain the ISO 13485 certification Pass CE/FDA certification as required	1. All factories that have passed the ISO 13485 certification maintain the certification. 2. New factories (e.g. Kenya phase 2 factory) pass the certification.		100%	100%	↑
Customer net promoter Score >60/>80	>55/>80		International market: 52.8 Domestic market: 83.9	International market: 53 Domestic market: 84.27	↑
Environmental and social risk research covers all key suppliers	1. All qualified suppliers sign the Code of Conduct, and commit to meet social responsibility standards. 2. All key suppliers that fail to provide the third-party social responsibility report receive ESG or social responsibility training or communication.		80%	88%	↑

Innovative solutions

R&D and Innovation

Governance

The Company regards R&D and innovation as the core driving force for sustainable development and has established the second technical committee. The Company formulates the *Project Management Guidance*, *Decision Review Guidance*, *Technical Review Guidance*, *Operation Guidance* and other normative document templates, and updates the *Regulations on Management of New Product Task Development*, and *Regulations on Management of New Product Design and Development*, conducts feasibility pre-study of new products in regulations, markets, raw materials, technology, supply chain, etc., and identifies and solves the core problems of project materials and technology in a timely manner.

In addition, the Company issued the *Regulations on Management of New Product Project Rewards*, which defines the incentive allocation principles for personnel at all levels of new product development. Through a scientific and reasonable incentive mechanism, the Company fully mobilized the enthusiasm of all personnel to participate in R&D and innovation and stimulated the team's innovation vitality.

Strategies

Zhende upholds an innovation-driven development strategy, follows the industry development trend as the innovation direction, and takes market demand as the leading factor. We closely focus on key products such as stoma and modern wound care, surgical sensing and control, and health protection, and actively build a diversified R&D layout covering the medical and health areas. We have established and improved the R&D management system, and continuously improve the R&D efficiency by integrating multi-disciplinary resources through independent R&D and industry-university-research cooperation. In addition, Zhende continues to enrich product categories, accelerate iterative upgrades, promote technological innovation, and continue to expand the business territory through international layout and medical consumer goods upgrades, further enhancing the Company's core competitiveness.



“We have been actively promoting the development of sustainable products and materials, and are committed to reducing the impact of medical products on the environment. The company integrates the concept of sustainable development in the product design stage, and prefers to use degradable, recyclable or bio-based materials to reduce resource consumption and carbon emissions. This initial intention affects everything we are doing and will do. Through continuous technological innovation and product optimization, we are committed to reducing the comprehensive cost of medical care, adapting to clinical needs, and providing higher quality services to users around the world through continuous technological innovation.”

——Eric Zhang, Director of Zhende Medical

Management of Impact, Risk and Opportunity

In the new product development process, the Company clarifies the responsibilities of personnel at all levels in the project, ensures that all links from planning to execution implement a hierarchical approval process, avoids unplanned, undocumented, unaudited, and unsupervised work, and ensures the orderly, compliance, and legitimate progress of the

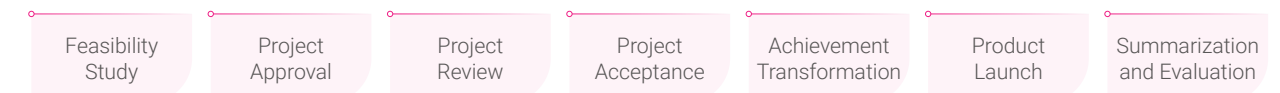
project. Meanwhile, the Company introduces a Failure Mode and Effects Analysis (FMEA) management mechanism to evaluate the risks of projects and products during development and implementation. By defining and scoring the risk sources, frequency of occurrence, and degree of harm, the latent risks are identified accurately and response measures are taken in a timely manner to further enhance the stability of R&D project management.

Construction of R&D system

The Company adheres to the bottom line of compliance in the R&D process, and builds a management system that fully covers the Product Research & Development process across various stages from demand analysis to product marketing. This system aims to accelerate product innovation, shorten the marketing cycle, and improve product quality by clarifying the goals and standards of each stage, thereby satisfying customer needs and enhancing the Company's competitiveness.

The Company introduces the Integrated Product Development (IPD) management model, establishes a product line management mechanism and matrix management, and forms a market-oriented data decision-making system. Through market research, requirement management and scientific project approval, we promote the product design and testing in parallel, focusing on strategic projects and improving R&D efficiency. On this basis, we added a task development stage, which focuses on the core technology breakthroughs, and conducts exploratory studies with small investment to comprehensively evaluate technical feasibility, regulatory feasibility, market feasibility, and supply feasibility, in order to promote decision-making evaluation, accelerate the R&D process, and create more market-competitive products.

— Product Development Process —



In addition to the ongoing optimization of the product development process, we also emphasize the construction of R&D platforms and the development of R&D talents. We have established four enterprise R&D centers at home and abroad, which have received a number of national and provincial honors.

— R&D Platform Construction —



The Company actively engages in "industry-university-research cooperation" and continuously promotes industrial partnerships. Leveraging the provincial-level key enterprise research institute, we collaborate with academic institutions to establish postdoctoral research workstations, attract high-level talents, and enhance our technological innovation capabilities.

— Industry-University-Research Cooperation Projects —

We have established the "Joint Innovation Center for Wound and Mucosal Medical Antimicrobial Application Technology" with the Technical Institute of Physics and Chemistry of the Chinese Academy of Sciences, and began to put into practice the industrialization transformation of "antimicrobial peptide gel products with selective antifungal effect".

We have collaborated with the experts from the Adhesive Research Institute of East China University of Science and Technology to enhance our overall R&D capabilities. We have established microscopic characterization methods for the physical properties of adhesives, including infrared spectroscopy, rheology, molecular weight and its distribution, and solvent content testing. These methods have helped us solve the technical problems of double-sided adhesives.

— R&D investment and achievements in 2024 —

R&D investment:

- R&D investment reached RMB **135.49** million

R&D achievements:

- 2** strategic projects, **13** company-level projects, and **12** department-level projects
- Acquired **9** Class II medical device product registration certificates
- 28** inventions granted
- Three** papers with three indications in the fields of stoma care, cell regeneration, and chronic wound treatment were included in the national ministerial core journal-*China Medical Device Information*.

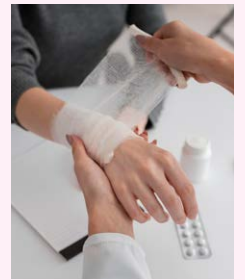
R&D of Sustainable Products

The Company integrates the We Care sustainability strategy into every stage of product development, aiming to reduce the environmental impact throughout the life-cycle of products while ensuring product health and safety.

Innovative development of non-cytotoxic antibacterial and anti-adhesion gauze

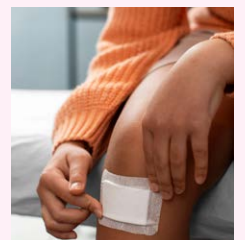
The main reasons why gauze may harbor bacteria on the wound include using ordinary gauze instead of sterile gauze, not changing gauze in time, and improper wound management. Failure to change gauze in time after use may lead to bacterial infection at the wound site, resulting in symptoms such as redness, swelling, pain and, in severe cases, pus.

Bacteria-adherent medical gauze is a medical technology product based on biomaterials innovation. The gauze adopts a natural cellulose substrate, combined with oriented modification of polysaccharide molecular chains, and makes use of physical-biological dual-action mechanism: on the one hand, it adsorbs bacteria physically through the microporous structure of the surface, and on the other hand, with the help of the biophilic material imitating the characteristics of the cell membrane of the host, it can recognize and adhere to the disease-causing bacteria accurately and thus block their contact with the wound surface. The technology is a combination of nanomimicry and biomimetic technology. This technology combines nanobionics and clinical medicine, which not only solves the drug resistance problem caused by the abuse of antibiotics, but also avoids the secondary damage of chemical bacteriostatic agents on fragile wounds, providing a safer solution for chronic wound care, burns infection prevention and control, etc., and is expected to reshape the industry standard of functional dressings.



Innovative development of non-contact antibacterial foam dressings

Antibacterial foam dressings innovatively adopt the "gaseous microenvironmental regulation" technology, realizing non-contact pathogenic bacteria inactivation. The product is based on medical polyurethane foam and loaded with volatile antimicrobial factors through a nanoscale porous structure, forming a gaseous antimicrobial barrier of 0.5-2mm on the wound surface. This technology is expected to break through the limitations of traditional antibacterial dressings of "contact killing", through the construction of physical isolation of the antibacterial micro-environment, especially for large burns, diabetic ulcers and other fragile wound care, providing a revolutionary solution for precise antibacterial treatment.



Innovative research and development of low gram weight surgery coat

Committed to providing superior comfort and protection to doctors and patients, Zhende Medical has adopted advanced SMS fabric technology to comprehensively upgrade the traditional surgical gown. This new fabric not only meets the strict health and safety standards of the surgical gown; but also features enhanced air permeability, lighter weight, higher hydrostatic pressure head, and improved moisture absorption and perspiration performance, delivering an exceptionally soft wearing experience and a stronger safety barrier for medical and nursing staff.



Active development of new eco-friendly materials that can replace PFAS

In the face of the environmental challenge of perfluorinated and polyfluoroalkyl substances (PFAS) and the increasingly stringent regulatory trend of PFAS worldwide, Zhende Medical has responded swiftly to actively develop new eco-friendly PFAS-free products. The Company's persistent pursuit of PFAS-free drives the continuous exploration of sustainable solutions. These solutions not only meet customers' performance needs, but also work to minimize the impact on the environment. Alternatives to PFAS-free additive products is our goal of years of joint efforts with partners.



The Company continuously promotes the development of R&D talent capabilities and the cultivation of an innovation culture by offering diverse training courses. During the reporting period, the Company provided training courses to more than 150 employees from different positions, including R&D, engineering, quality control, and sales. A total of 14 types of training courses, amounting to 122 class hours in total, were conducted. The course content covered multiple areas, such as the R&D intellectual property system, medical device registration and regulations, patent search, writing and application, and the new product development process.

Indicators and targets

In the future, the Company will take green design as its core direction, accelerate the replacement of new materials and the low-carbon improvement of products, continuously increase R&D investment, and promote the in-depth integration of sustainable concepts into the full life cycle management of products.

Medical Accessibility

Expanding the Breadth and Depth of Medical Services

Zhende Medical actively promotes its healthcare business by creating professional and comprehensive product solutions tailored for home use, aiming to bring the expertise and quality honed over 30 years of serving hospitals to individual consumers.

We fully promote the operation of the big health category by optimizing product structure and competitiveness. Through multi-dimensional consumer research and resource integration based on Zhende's product advantages, we have comprehensively examined our retail business, and strengthened the construction of customer and consumer centered product efficiency integration. Tools such as SCRM, CRM, and E sales system are utilized to enhance digital marketing capabilities, and to continuously improve customer and consumer satisfaction. Meanwhile, we continue to expand our product coverage, making it easier for consumers to purchase the home health care products they need.

— Measures and Achievements for Retail Business Enhancement —

Online Retail Channels

- Through various modes such as self-operation and cooperation, key sales channels such as Taobao, JD, Pinduoduo, Douyin, Kuaishou, 1688 and Amazone have been covered.
- In 2024, the online fans of Zhende e-commerce shops exceeded **9.5 million**.

Offline Retail Channels

- We continue to improve the market development and cooperation stickiness of national and regional chain drugstores, individual pharmacies, and supermarket convenience stores through a variety of measures. These include dealer classification and grading management, key customer operation system, as well as IP cooperation, dual brand product construction, and model market creation, etc.
- As of 2024, Zhende's coverage rate of top 100 chain pharmacies has reached **99%**, totally over **210,000** pharmacies.

In order to facilitate the Company's in-depth participation in the global medical device value chain and enhance its global competitiveness, we have also been continuously deepening the strategy of establishing overseas factories and strengthening the overseas industrial layout. The company is building production bases overseas in countries such as Mexico and Kenya, which can promote the development of local medical supply chains and reduce the difficulty and cost of obtaining medical supplies in these regions.

Providing Safe and Efficient Medical Products

Upholding patient-centered values, the Company is dedicated to creating a more humane and convenient medical experience through innovative technologies. We continuously develop medical devices and consumables to precisely address patient needs, offer more convenient services and greater comfort during treatment, and enhance patient recovery efficiency from multiple perspectives.

At the same time, we focus on the convenience and ease of operation of the product in the process of new product research & development to ensure that the product can be widely used in primary medical institutions and areas with limited medical resources, so that more patients can benefit from high-quality medical care.

Safety and Quality of Product and Service

Product Quality and Safety

Governance

The Company has established a Quality and Regulations Center at the primary level, led by the Chief Quality Officer. The center includes the Quality Management Department, the CQS Department, and the Regulatory Affairs Department. It oversees the establishment and maintenance of the Company's quality management system. Meanwhile, the Company has formulated the *Adverse Event Control Procedure for Medical Devices*, *Non-Conformity Product Control Procedure*, *Measures for the Management of Medical Device Recall*, and *Regulations on Management of US Medical Apparatus Recalls*, etc., and strives to achieve strict control of product quality and safety.

During the reporting period, the Company passed the certification such as ISO 9001, ISO 13485, ISO 13485 sterilization certificates, European Union MDR (Regulation on Medical Devices), European Union MDD (Medical Devices Directive), US FDA QSR (Quality System Regulation) 820, PPE UKCA/CE, and obtained product registration in South America, Brazil, Middle East, Saudi Arabia and other regions.

— Quality Certifications —

Certification	Coverage
ISO 13485 Certificate	Zhende Medical and its subsidiaries, including Xuchang Zhende, Xuchang Zhengde, and Henan Zhende, achieving 100% operational coverage
ISO 13485 Sterilization Certificate	Zhende Medical and its subsidiaries, including Xuchang Zhende, Xuchang Zhengde, etc.

Strategies

Zhende Medical regards product quality and safety management as the key to the Company's sustainable development. The company has a clear quality strategy of "getting it right the first time, changing under control, seeking truth and being pragmatic, and customer complaints first". We improve production efficiency and product consistency through strict quality inspection, standardizing the control of non-conforming products, and optimizing technological processes to ensure that products meet high standards of quality requirements. At the same time, we adhere to the quality policy of "providing safe, effective and competitive medical products is everyone's responsibility in Zhende". Quality awareness is integrated into every aspect of the Company's production and sales; we strive to build an all-round and whole-process quality assurance system to provide customers with safe, effective and high-quality medical products to help the high-quality development of the medical industry.

Management of Impact, Risk and Opportunity

The Company has established a cross-functional risk management team, which consists of professionals in the fields of product design, production process, quality management, regulatory standards, etc. The team will identify the product quality and safety-related risks periodically according to the assessment methods of potential risk types, occurrence possibility, severity and frequency in the *Risk Control Procedure*. Meanwhile, the Company establishes risk management plans for various products, and continuously improves product quality and safety-related risk identification and control capabilities through risk analysis, risk evaluation, and residual risk evaluation.

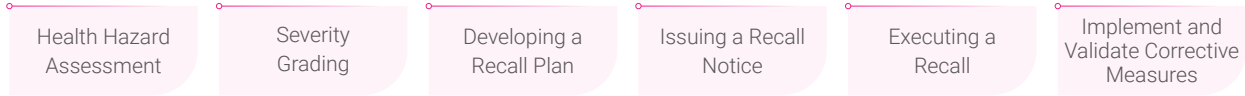
During the reporting period, the Company continued to promote a series of product quality management improvement measures to comprehensively ensure the safety and high quality of its products.

— Product Quality Management Measures —

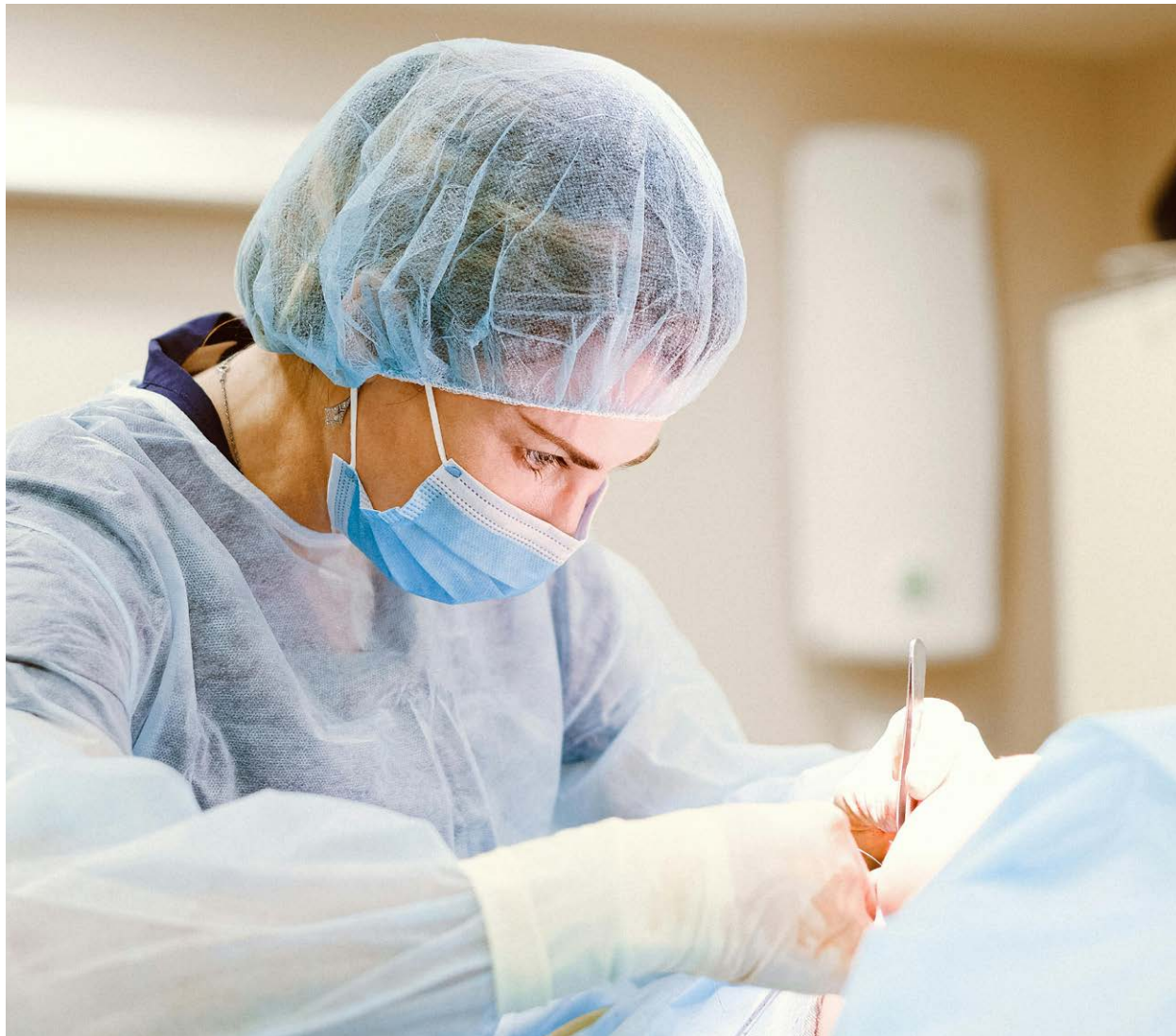
Management Measures	Actions in 2024
Quality Inspection	<ul style="list-style-type: none">The Company conducted inspections and supervision of incoming materials, production and all other stages in strict compliance with internal quality management requirements, thereby increasing finished product acceptance rate.For outsourced testing, we selected institutions with CNAS or CMA accreditation according to CNAS-CL-01 (ISO/IEC 17025:2017). We regularly evaluated these service providers, updated their qualifications, and maintained a directory of outsourced testing service suppliers.
Quality Audit	<ul style="list-style-type: none">During the reporting period, the Company conducted one comprehensive internal audit in accordance with the Regulations for the Quality Management in the Production of Medical Devices, ISO 13485, EU MDR and U.S. FDA regulations, to further guarantee the effectiveness of the quality system.Additionally, the Company underwent several external audits, including unannounced inspection by Zhejiang Medical Products Administration, GPM audit by the Inspector Management Center of Zhejiang Medical Products Administration, third-party audits by TUV, and multiple client audits, all of which were successfully passed.
Non-conforming Product Control	<ul style="list-style-type: none">The Company strictly controls non-conforming products according to its Non-Conforming Product Control Procedures. Any product that fails to meet the specified inspection requirements will be classified as non-conforming. All nonconformities must be separated, marked, reviewed, handled and recorded in strict accordance with the requirements.
Process Optimization	<ul style="list-style-type: none">Each factory carried out proposal improvement activities, and improved the working mode, process, quality, equipment, materials based on the actual conditions, to consistently improve the product quality. During the reporting period, a total of 42 proposal activities were completed, and 1,226 valid proposals were produced.We strengthened the design and implementation of on-site standard work, and formulated operating standards in combination with new product quotations and the data in the IE action database.
Quality Awareness Training	<ul style="list-style-type: none">The Company has highly valued employee training in quality awareness. Based on legal regulations, quality management system requirements, and market and customer concerns, we have carried out multiple quality training through lectures by internal lecturers and participation in external training.During the reporting period, the Company conducted 13 training sessions on regulatory systems for all employees in the production quality management system, covering Chinese and foreign regulations, MDSAP, ISO 13485, ISO 14971, basic microbiological knowledge, CAPA, and adverse events, etc. The cumulative number of trainees exceeded 1,000.

Zhende has established a product recall system in line with the Measures for the Administration of Medical Device Recalls issued by the National Medical Products Administration (NMPA) and relevant recall regulations from the U.S. FDA. We have developed and constantly improved the product recall system. Additionally, regular mock recalls are conducted. During the reporting period, no product recalls occurred.

— Product Recall Process —



During the reporting period, the Company did not experience any incidents of being punished by relevant departments for violating quality and safety-related laws and regulations.



Indicators and targets

One-time pass rate of first article			
Target	98%	Progress in achieving targets during the reporting period	99.15%
Pass rate of finished products			
Target	98%	Progress in achieving targets during the reporting period	98.40%

Customer Service

Governance

Zhende's customers mainly include domestic and foreign corporate customers and individual consumers. The Company's Quality and Regulations Center has established the Customer Quality Service (CQS) and After-Sales Quality Service departments. A series of management procedures have been developed, including the *Process Control Procedure Related to Customers*, the *Design and Development Control Procedure*, the *Alert System Management Procedure*, the *After-Sales Supervision Control Procedure*, the *Medical Device Adverse Event Management Procedure*, the *Regulations on Management of Domestic Medical Device Adverse Events*, the *Customer Complaint Control Procedure*, the *Customer Satisfaction Survey Control Procedure*, and the *Risk Management Procedure*.

Strategies

The company is aware that high-level client service management is the key to winning the trust of customers and maintaining market competitiveness. For this purpose, the Company continuously improves the client service system, and achieves rapid response and efficient solution to customer requirements by building diverse communication channels and optimizing feedback handling processes, so as to continuously improve client service satisfaction and build long-term and stable customer relationships.

Management of Impact, Risk and Opportunity

The Company is committed to building an efficient pre-sales and after-sales customer service framework. By relying on the customer feedback, customer satisfaction surveys and other channels, we actively identify and evaluate the risks and opportunities related to customer services, formulate and implement targeted response strategies according to their materiality degree.

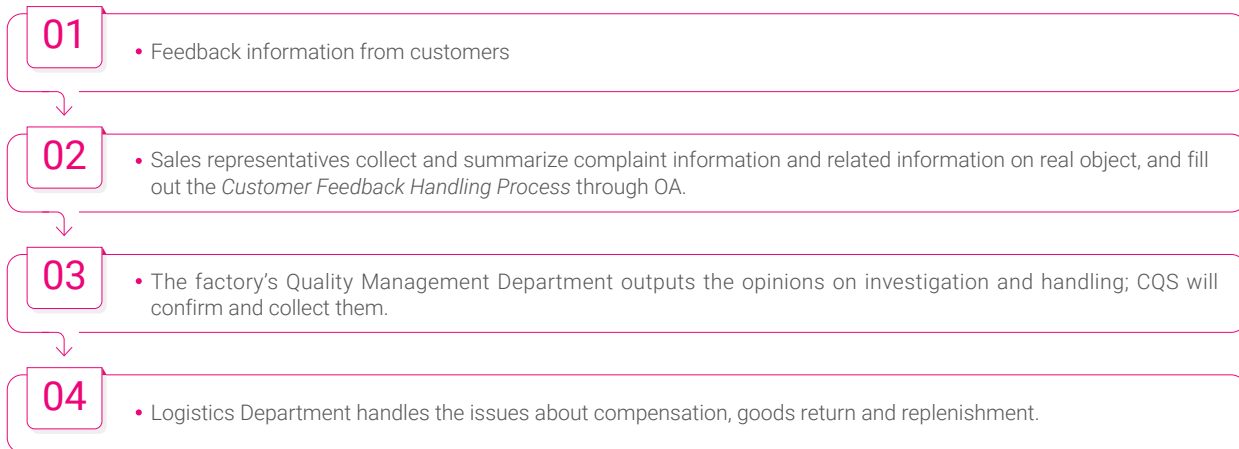
The company has built convenient and diversified customer feedback channels, and continuously optimized the customer complaint process. By establishing a linkage mechanism between customer service personnel and manufacturing plants, we have improved the timeliness of customer complaint handling process, and quickly responded to and handled customer feedback and complaints. During the reporting period, the Company's customer complaints mainly focused on the problem of foreign bodies in the product appearance. The relevant factories have started rectification for special projects. The customer complaint handling completion rate has reached 100%.

— Customer Feedback Channel —

 <p>Customer service hotline</p> <p>0575-88086666</p>	 <p>Corporate email</p> <p>zhende@zhende.com</p>	 <p>Message on the Company's website</p> <p>www.zhende.com</p>
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— Customer Feedback Handling Process —



In order to improve the quality and efficiency of customer feedback processing, we conducted a satisfaction survey on the customer complaint process, and the results showed that the satisfaction rate reached 99.2%. Meanwhile, the Company conducted customer satisfaction surveys, distributing questionnaires to clients, distributor clients, and retail customers. The satisfaction rate of e-commerce client services reached 95.3%.

To further enhance the Company's customer service capabilities, we conducted training sessions for all customer service personnel on topics such as *Marketing Awareness Cultivation*, *Specialized Training for Comforting*, *E-commerce Customer Service Empathy*, *E-commerce Customer Service Understanding and Expression Ability Improvement*, *Effective Communication Skills*, *E-commerce Customer Service Problem Solving Ability Improvement*. These efforts strengthened employees' awareness of customer service, improved their professional skills, and increased overall customer satisfaction.

Indicators and targets

Customer Net Promoter score			
Target	Domestic Customer Net Promoter score >80	Progress in achieving targets during the reporting period	84.27
Target	International Customer Net Promoter score >60	Progress in achieving targets during the reporting period	53

Data Security and Privacy Protection

To protect the Company's data security and customer privacy, Zhende has implemented data security protection measures in strict compliance with relevant laws and regulations such as *Computer Information System Security Protection Regulations of the People's Republic of China*, *Personal Information Protection Law of the People's Republic of China*, and established *Management Regulations on Information Security*, *Information Security Management System Manual*, *Information Security Management Strategy*, *Management Regulations on Data Reliability*, *Management Procedures for Computerized System Emergency*. During the reporting period, the Company conducted a comprehensive assessment of the information security and improved the construction of the information security system in accordance with the ISO 27001 standard to ensure the effectiveness of the information security management system.

— Information Security Certification —



Cyber security level protection 2.0 certification



ISO 27001 information security management system certification

— Information Security Management Measures —

Management Measures	Progress in 2024
Risk identification and assessment	Zhende introduced Sangfor's MSS (Managed Security Service) and conducted a pre-operation security assessment. This assessment involved identifying security flaws in areas such as strategy management, security protection, asset management, vulnerabilities, attack threats, and security incidents, and developing improvement plans accordingly. These measures have significantly enhanced the overall security protection level of the Company.
Information security audit	Zhende underwent third-party vulnerability assessments and performed targeted remediation based on the vulnerability scan reports provided by the third party.
Information security technology	Zhende implemented remote application-level disaster recovery at data centers in Shaoxing and Xuchang. We have established a data backup system that performs backups once every two hours. Viruses are automatically detected and removed weekly through Endpoint Detection & Response (EDR). The Green-Shield Endpoint Security Management System is used to encrypt electronic files of the Company. Additionally, the Company conducts system permission management, ensuring that employees can only access system information corresponding to their specific roles.
Supplier information security management	The Company has established an audit team to assess the risks of proposed or adopted computer systems and to audit potential suppliers. The Company strengthens supplier information security management by signing non-disclosure agreements, and conducts regular evaluation on suppliers through the <i>Supplier Evaluation Record Form</i> and <i>Supplier Performance Periodic Assessment and Evaluation Form</i> .
Emergency response	The Company has established an emergency handling procedure for emergencies such as crashes and delays, blue (black) screens, communication interruptions, and system crashes to ensure that emergencies such as system failures, security attacks, and data loss can be responded correctly and quickly and handled in a timely and effective manner.
Information security awareness training	To foster an information security culture, the Company offered employee training on information security awareness. Topics included common information security awareness and the information security management regulations, etc. A total of 3,000 employees participated in such training sessions.

During the reporting period, there were no incidents where the Company was punished by relevant authorities for violating laws and regulations related to information security and privacy protection.

Sustainable Supply Chain

Governance

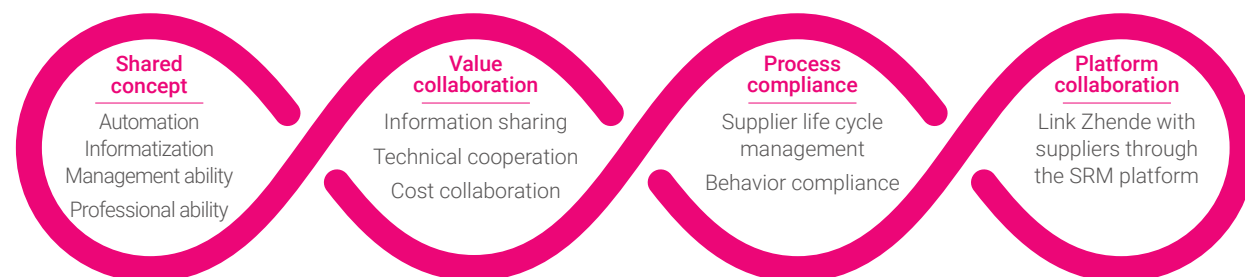
The Company has established a sound sustainable supply chain management system. The Procurement Department works with the Quality Management Department of the Quality and Regulatory Center to conduct periodic on-site audits of suppliers, and all departments work together to promote the efficient management of sustainable supply chains.

The Company has formulated the *Administrative Rules of Qualified Supplier Access*, *Administrative Rules of Qualified Supplier Assessment*, *Administrative Rules of Supplier Quota*, and *Administrative Rules of Supplier Rectification and Elimination*, and other rules, to achieve the full life cycle management of suppliers, and issued the *SOP for MOQ Setting of Purchased Materials*, *Management Regulations on Procurement Cost Control*, *Administrative Rules of Procurement Methods*, *Administrative Rules of Import Materials Procurement*, to further refine procurement management and improve management efficiency.

In order to ensure the security and stability of the supply chain, the Company has formulated detailed rules such as *Administrative Rules of Supply Market Research and Supplier Shortlist*, *Administrative Rules of Potential Supplier Admission*, and *Administrative Rules of Risk Suppliers*, to provide support for building a high-quality supplier resource pool and regularly identifying supplier risks. In addition, the Company has established the *Sustainable Supply Chain Management Policy* to continuously improve the environmental and social responsibility performance of suppliers and strengthen the construction of responsible supply chains.

Strategies

The Company always upholds the concept of “shared concept, value collaboration, process compliance, and platform collaboration”, establishes a whole life cycle management process system from supplier sourcing to elimination to achieve high-standard control of supply chain quality. Meanwhile, the Company resolutely implements the concept of “prevention in advance” and the policy of “Do It Right the First Time”. By improving supplier quality and ESG awareness, we continuously optimize the supply chain performance, realize all-round and multi-angle management of the supply chain, and promote the sustainable development of the supply chains.



“

Zhende Medical attaches great importance to the construction of sustainable procurement as an important measure to achieve corporate social responsibility and green development. The Company ensure the sustainability of the supply chain by establishing a strict supplier evaluation system and giving priority to partners who meet environmental protection standards, social responsibility and ethics.

”

—Steven Shen, Director of Zhende Medical

Management of Impact, Risk and Opportunity

In order to identify and control supply chain risks in a timely manner, the Company conducts regular assessment on suppliers from four key dimensions- quality, cost, delivery and services, and carries out monthly inspections for delivery risks. In addition, the Company has set up automatic reminders of certificate expiration with the SRM system to accurately prevent and control the risk of certificate expiration, and assigns a special person to check the supplier's business license and qualification certificate, and continuously tracks the update to ensure the integrity and validity of the supplier's qualification.

Supply Chain Quality Management

Zhende Medical categorizes suppliers from multiple perspectives to achieve the fine management. Based on category positioning and the relationship with suppliers, and in view of our actual business situation, suppliers are divided into three levels: core, important, and general. According to the annual performance evaluation of suppliers and other factors, suppliers are divided into grades of A, B, C, and D. Over and above, Zhende formulates differentiated procurement management strategies for suppliers of different levels, and updates the material importance periodically, to enable the proportion of each module in the supplier cycle assessment to be more compliant with the actual situation and maximize the effectiveness of supplier management resources.

In terms of performance rectification projects, the Company has included Grade D suppliers in the scope of mandatory rectification. After implementing differentiated management in 2024, 55 Grade D items were improved and upgraded to Grade C, indicating that the Company has achieved certain results in supplier empowerment.

The Company has established a supplier's life-cycle quality management system to clarify the requirements for supplier access, qualified supplier assessment, supplier quota management, rectification and elimination and achieve strict control of supplier quality.

— Supplier's Life-Cycle Quality Management —

Qualified Supplier Admission	<ul style="list-style-type: none">After a procurement or change request is initiated by the requesting unit, review the shortlist of suppliers; procurement engineers are responsible for collecting and maintaining supplier qualifications and information.The Procurement Department then initiates the introduction of shortlisted suppliers, and conducts written and on-site supplier audits.For suppliers that pass the audit, conduct material/service certification according to the <i>Material Confirmation Management Regulations</i>. Sign cooperation agreement with qualified suppliers, and rate them.A process for evaluating suppliers of purchased finished products is established to better match the management requirements of purchased finished products.
Qualified Supplier Assessment	<ul style="list-style-type: none">Conduct supplier performance assessment according to the supplier relationship management plan.Calculate supplier performance by the information system, calibrate the results, and generate the <i>Qualified Supplier Periodic Assessment Form</i> and the <i>Summary of Periodic Assessment of Qualified Suppliers</i>.Organize performance interview with suppliers.Work out supplier management measures based on the assessment and interview results, and conduct annual audits.
Supplier Quota Management	<ul style="list-style-type: none">Formulate and adjust monthly and annual quota plans based on supplier assessment results, latest material prices, and supplier quality/delivery performance.Execute orders according to the approved quota plans, monitor performance monthly, make timely adjustments, and generate cause analysis and improvement plans.Allocate more order quotas to suppliers with improved quality.
Supplier Rectification and Elimination	<ul style="list-style-type: none">Require rectification for suppliers with supply abnormalities and poor performance, and track their rectification progress.Propose supplier elimination and risk control plan for suppliers that fail to pass the review, and eliminate suppliers according to the plan.

In order to ensure that suppliers meet the quality control requirements, the Company conducts periodic on-site audits of suppliers and fills in the *Supplier Audit Report*. Meanwhile, the Company sets up the “Quality Progress Award” at the annual supplier conference to commend suppliers who have performed well in quality, so as to motivate suppliers to continuously improve their quality performance. During the reporting period, the SQE team of the Company's Quality Law Center established a key material quality planning PQP project. While continuously improving the quality awareness of suppliers, it promotes the learning of quality knowledge and tools for team members and enhances the team's overall ability.

— Supplier's Health Management Measures and Performance Highlights For 2024 —

Quality interview

Invited suppliers to the factory site for quality interviews more than **130** times, and organized online meetings for more than **180** times

Supplier audit

On-site audit of supplier countermeasures for more than **50** times, special audit of foreign bodies for more than **30** times

Annual audit

On-site evaluation and defect rectification of **44** suppliers, video evaluation and defect rectification of **25** suppliers

Technical exchange

4 times

Supply Chain Security

The company attaches great importance to supply chain security to ensure the stability and reliability of the supply chain in case of market fluctuations and uncertainties, and avoid the risk of supply interruption.

The company has a sufficient reserve of supplier resources to address the R&D demands of new products and the production and supply needs of existing products. Additionally, we continue to optimize the supplier structure and conduct the SRM digital platform construction to achieve the efficient interaction with suppliers and the safety and stability of the supply chains.

The Company regularly identifies and assesses supplier risks, and promptly and effectively monitors and addresses any issues that arise during cooperation. This helps safeguard project progress and ongoing supply needs while protecting the Company's interests. Furthermore, the Company has developed the *Supplier Survey Form* to systematically collect and review information on suppliers' capabilities and system development. This keeps us informed about supplier trends and ensures the stability and efficiency of our collaborative relationships.

Responsible Supply Chain

While strengthening our own ESG management, we also pay close attention to the ESG performance of our suppliers and comprehensively prevent potential environmental and social risks in the supply chain.

We continue to improve the SRM system. In the supplier registration stage, suppliers are required to fill in ISO 14001, ISO 45001, FSC certificate, human rights audit and other relevant information. In addition, the ESG questionnaire is set as a required item to understand the ESG performance of suppliers in a timely manner. In the supplier admission

stage, suppliers are required to upload a Social Responsibility Commitment Letter, and sign the commitment letter as a necessary condition for entry. Meanwhile, the Company stipulates the relevant requirements of social responsibility in the Purchase Agreement to further clarify the Company's specific expectations for suppliers in terms of environmental and social responsibility.

We attach great importance to the improvement of suppliers' ESG awareness and capabilities as a key link in supply chain management. During the reporting period, we conducted 4 ESG training sessions for key cooperative suppliers, covering ESG standards, Zhende sustainable development philosophy, social responsibility introduction, human rights review process, etc. In addition, we share ESG-related information with suppliers through the WeChat official account "Zhende Procurement Collaboration Platform", share the industry best practices and policy trends, and help suppliers to continuously improve the ESG management level.

Furthermore, the Company has incorporated supplier environmental and social responsibility targets into the performance evaluations of procurement personnel to support the effective development of a sustainable supply chain.

— Performance of Supplier Social Responsibility Management Highlights —

The Company signed a *Social Responsibility Commitment* with **123** key suppliers, with a signing rate of **88%**

125 key suppliers participated in ESG training, with a participation rate of **89%**

22 suppliers passed third-party human right audits

The Company abides by the *Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises*, the *Regulations on the Protection of Payment of Small and Medium-sized Enterprises*, and other related laws and regulations, strictly protects the legitimate rights and interests of the small and medium-sized suppliers, actively supports their growth and development, so as to promote the coordinated progress of the industrial chain.

Access

- Uphold the principle of fairness, provide equal opportunities for SMEs to ensure them to enjoy fair treatment in competition

Cooperation

- Actively provide technical support for SMEs, help them improve their capacity and quality management level
- Mitigate the operating pressure and stabilize the cooperative relationship through long-term and stable orders
- Carry out SRM system construction, promote the enhancement of digital management capabilities in SMEs and help improve their operational efficiency

Daily operation

- Encourage SMEs to participate in product research & development and innovation, fully stimulate their innovation potential and jointly promote the technological progress of the medical industry through joint R & D, technical cooperation, etc.
- Build a learning platform for SMEs, and promote the sustainable development of SMEs in the medical field

As of the end of the reporting period, neither the balance of the Company's accounts payable (including notes payable) nor its ratio to total assets exceeded the thresholds set by the Guidelines; neither the Company nor its holding subsidiaries had to disclose to the public through the national enterprise credit information publicity system due to overdue payments to SMEs.

Indicators and Targets

Signing rate of the Social Responsibility Commitment of key suppliers

Target 100%

Progress in achieving the target during the reporting period **88%**

ESG training coverage rate

Target 100%

Progress in achieving the target during the reporting period **89%**

Community Communication and Development

Zhende Medical engages in various charitable activities to give back to society to the best of its ability. The Company has established the External Donation Management Regulations to oversee its donation activities in a unified manner. During the reporting period, Zhende made donations of cooling vests and flood relief materials.

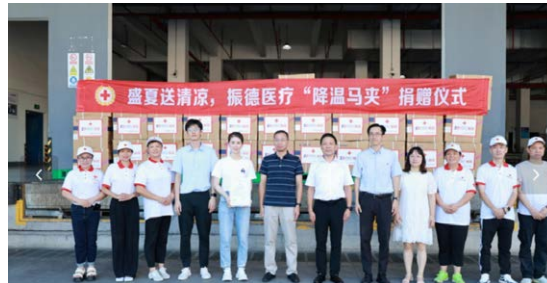
Upholding the idea of giving back to society, the Company actively participates in community volunteer activities. The Company has formulated the Volunteer Team Management Regulations and other regulations that cover both the headquarters and its subsidiaries to standardize and improve the organization of volunteer teams, and enhance the quality and efficiency of volunteer services. During the reporting period, the volunteer team actively organized the condolence activities of the nursing home and sent supplies equivalent to RMB 23,000 to the nursing home.



— Volunteer Activities in 2024 —

"Cooling vests" bring coolness

On August 1, 2024, Zhende Medical donated 13,000 "cooling vests" to front-line outdoor workers through the Red Cross of Shaoxing City and the Red Cross of Yuecheng District, which has a total value of RMB 1.17 million; on August 5, Zhende, in collaboration with The Red Cross of Yuecheng District, Shaoxing City, donated 1,584 "cooling vests" to the Red Cross of Kaihua County, with a total value of RMB 169,488. These activities brought coolness and care to construction workers and sanitation workers.



"Cooling Vest" Donation Ceremony

Caring for special children

On the eve of Children's Day in 2024, Zhende Medical carried out a public welfare donation event in Peizhi School, Panlong District, Kunming, to donate medicine kits, first aid kits, Band-Aids and other medical supplies to the school; organized the trauma dressing training to help teachers and students master first aid skills. This event conveyed society's care for special-needs children, demonstrated the enterprise's original intention, and called on more people to care about special groups and help safeguard children's healthy growth.



Training for Trauma Dressing

Nursing home visit

During the Spring Festival, Zhende Medical Volunteer Team visited Zhejiang Huikang Lihai Nursing Home and delivered eight-treasure congee, milk and other materials to 51 elderly people in special need and 30 disabled children. The condolence team in the elderly care rooms, engaged in conversations with the residents, and exchanged ideas warmly with the nursing home staff. This visit reflected Zhende's cultural value of ongoing support for disadvantaged groups and its commitment to spreading positive energy throughout society.



Visit to Xiaogaobu Nursing Home



"Better Home • Caring Mom" Children Care Theme Activity

Zhende Medical actively participated in the "Better Home - Caring Mom" Theme Activity for Caring Children hosted by the Women's Federation of Shaoxing, Zhejiang Province, and advocated for public engagement in the care initiative. Participants delivered school bags, stationery, sports supplies, and other heartfelt gifts to children, and wrote "love cards" as part of the care activities to support children's growth in an all-round way.



"Better Home • Caring Mom" Children Care Theme Activity

Industry Exchange and Cooperation

Partners are one of the important stakeholders of Zhende Medical. Adhering to the corporate value of "sharing success", we continue to advance mutual benefit and win-win results in the industry by participating in industry platform construction, joint training of industry talents, standard formulation, industry exchange activities.

Zhende actively engages in industry platform construction, taking the lead in establishing industry technology alliances and the Consumables Branch of the Zhejiang Medical Device Industry Association, to promote healthy and orderly industry growth. Furthermore, we have participated in the formulation (revision) of industry and group standards multiple times, facilitating overall advancement of the industry and product quality enhancement.

— Formulation or revision of standards in 2024 —

Zhende led and participated in the formulation (revision) of **3** national standards

- GB-19082-2023 Disposable Protective Clothing for Medical Use
- GB19083-2023 Protective Face Mask for Medical Use
- GB/T 42770-2023 colostomy plug

Zhende completed the formulation (revision) of **20** industry standards, including **5** standards as main drafter

- Medical Elastic Bandage - Characteristics and Test Methods for Basic Performance
- Medical Thrombosis Prophylaxis Hosiery
- Medical Compression Hosiery for Varices
- Sterile Surgical Films for Single Use
- contacting Wound Dressing - Part 1: Paraffin Gauze

Zhende completed the formulation (revision) of **12** group standards, and continued to promote the formulation (revision) of **2** group standards

- Transparent Dressings
- Mask Evaluation and classification of breathability

Zhende is currently applying for participating in the drafting of **3** national standards and **2** industry standards

In response to the rural revitalization strategy, we purchased 1,000 boxes of agricultural grapes during daylight saving time for employee welfare distribution, and helped farmers in increasing their incomes with our actions. In addition, we worked closely with the local Federation of Trade Unions in Xuchang to promote employment through various means, especially for rural people and poor family members to achieve targeted poverty alleviation and help rural revitalization. During the reporting period, we donated a total of RMB 2.3 million.

We actively take part in or organize industry exchange activities to gain genuine feedback from clinical practice through in-depth interactions with medical professionals.

— Industry exchange activities in 2024 —

○	The 89th China International Medical Equipment Fair (CMEF)
○	MEDICA 2024(Dusseldorf)
○	National Intravenous Therapy Nursing Academic Conference 2024
○	2024 China VTE Prevention and Treatment Conference
○	The Third Global Digital Trade Expo
○	2024 Beijing Operating Room Nursing Academic Annual Conference
○	2024 Health Industry Ecosystem Conference

The Company continues to strengthen industry-university-research cooperation, partnering with vocational institutions in Shaoxing, Henan and other regions to jointly develop industry professionals through “order class”, framework agreement and other means.

— Industry-University-Research Cooperation Projects in 2024 —

Worked with Shaoxing Vocational & Technical College to build the Silk Road College (Health Care) school-enterprise alliance to jointly cultivate international talents in health care	Cooperated with the Second Affiliated Hospital Zhejiang University school of medical to build the provincial key laboratory for diagnosis and treatment of severe burns and trauma and emergency rescue
Worked with Jiaxing University College of Design and Yiwu Jiachuang Platform to carry out school-enterprise cooperation training and jointly cultivate industry talents	Signed a technical cooperation project agreement with the Technical Institute of Physics and Chemistry of the Chinese Academy of Sciences

ESG Performance Tables

Employee-related Performance

Disclosures		Unit	2022	2023	2024
Employee Recruitment and Hiring					
Number of incidents punished for violating employment and labor laws and regulations		Case	0	0	0
Total number of employees ¹		Person	8,485	6,717	7,807
By employment form	Full-time employees under a labor contract	Person	8,485	6,717	7,807
	Full-time employees under labor dispatch	Person	676	621	616
By gender	Male	Person	2,916	2,085	2,645
	Female	Person	5,569	4,632	5,162
By work area	Chinese Mainland	Person	8,182	6,185	6,301
	Hong Kong, Macao, Taiwan, and overseas ²	Person	303	532	1,526
By age	>50	Person	201	373	308
	30-50	Person	6,807	5,133	5,094
	<30	Person	1,477	1,211	2,405
By management level	Front-line employees	Person	8,148	6,422	7,467
	Mid-level management	Person	268	232	283
	Senior management	Person	69	63	57
Percentage of female employees		%	65.63	68.96	66.12
Percentage of female senior executives (above director level)		%	20.29	23.81	26.3
Percentage of ethnic minorities and vulnerable groups in all employees		%	0.15	0.19	0.37
Percentage of ethnic minorities and vulnerable groups in senior management team		%	1.67	1.85	1.80
Coverage of diversity-related training		%	100	100	100
Total number of new hires		Person	1,410	1,886	2,517

Disclosures		Unit	2022	2023	2024
By employment form	Full-time employees under a labor contract	Person	1,410	1,886	2,517
	Full-time employees under labor dispatch	Person	412	248	325
By gender	Male	Person	589	485	948
	Female	Person	978	1,401	1,596
By work area	Chinese Mainland	Person	1,410	1,886	1,237
	Hong Kong, Macao, Taiwan, and overseas ²	Person	0	0	1,280
By age	>50	Person	25	19	12
	30-50	Person	784	1,094	1,260
	<30	Person	601	773	1,245
Percentage of new hires ³		%	14.94	18.19	24.4
By gender	Male	%	17.59	14.26	28.70
	Female	%	16.06	20.10	26.91
By age	>50	%	10.87	3.42	3.42
	30-50	%	10.63	14.57	19.99
	<30	%	32.79	33.49	48.26
Employee turnover rate		Person	952	3,654	1,950
By gender	Male	Person	432	1,316	781
	Female	Person	520	2,338	1,169
By age	>50	Person	29	182	66
	30-50	Person	567	2,375	1,209
	<30	Person	356	1,097	675
Employee turnover rate ⁴		%	10.09	35.23	19.99
By gender	Male	%	12.90	38.69	25.75
	Female	%	8.33	33.54	18.77
By age	>50	%	13.55	82.73	17.56
	30-50	%	7.85	30.06	18.46
	<30	%	17.82	48.76	21.92

Disclosures		Unit	2022	2023	2024
Employee Rights and Benefits					
Labor contract signing rate		%	100	100	100
Employee compensation and benefits expenses ⁵		RMB 10,000	100,401	100,365	92,240
New hire satisfaction ⁶		%	92.00	93.30	94.00
Employee Net Promoter Score (E-NPS) ⁷		/	62.85	69.33	75.55
Unadjusted average gender pay gap ⁸		%	6.19	5.03	0.00
Ratio of highest annual salary to median annual salary		%	13.76	13.40	14.00
Percentage of employees covered by collective bargaining agreements		%	100	100	100
Percentage of operational sites assessed for human rights impacts or risks		%	54.55	100	100
Percentage of operational sites with labor and human rights certification		%	50.00	63.64	75.00
Number of employees eligible for parental leave		Person	71	59	108
By gender	Male	Person	20	19	35
	Female	Person	51	40	73
Number of employees taking parental leave		Person	71	59	35
By gender	Male	Person	20	19	12
	Female	Person	51	40	23
Number of employees returning to work after parental leave		Person	71	59	35
By gender	Male	Person	20	19	12
	Female	Person	51	40	23
Parental leave return rate		%	100	100	100
By gender	Male	%	100	100	100
	Female	%	100	100	100
Number of employees still employed 12 months after returning from parental leave		Person	74	69	52
By gender	Male	Person	28	33	19
	Female	Person	46	36	33
Parental leave retention rate ⁹		%	92.50	97.18	88.14

Disclosures		Unit	2022	2023	2024
By gender	Male	%	95.00	100.00	100.00
	Female	%	82.14	70.59	82.50
Number of employee discrimination incidents		Case	0	0	0
Employee Training and Development					
Number of employees receiving training		Person	8,485	6,717	7,807
By gender	Male	Person	2,916	2,085	2,645
	Female	Person	5,569	4,632	5,162
Employee training coverage ¹⁰		%	100	100	100
Total hours of employee training		Hour	560,858.50	435,075.60	506,409.90
Average duration of employee training ¹¹		Hours/Person	66.10	64.77	64.87
By gender	Male	Hours/Person	58.65	63.60	65.68
	Female	Hours/Person	70.00	65.30	64.45
Total training hours for front-line employees		Hour	537,130.50	404,586.00	481,778.56
Number of front-line employees receiving training		Person	8,148	6,422	7,467
Average training hours per front-line employee		Hours/Person	65.92	63.00	64.52
Total training hours for mid-level management		Hour	18,760.00	25,953.61	20,907.52
Number of mid-level management receiving training		Person	268	232	283
Average training hours per mid-level management		Hours/Person	70.00	111.87	73.88
Total training hours for senior management		Hour	4,968.00	4,536.00	3,723.81
Number of senior management receiving training		Person	69	63	57
Average training hours per senior management		Hours/Person	72.00	72.00	65.33
Percentage of employees receiving regular performance and career development appraisals		%	100	100	100
By gender	Male	%	100	100	100
	Female	%	100	100	100

Disclosures		Unit	2022	2023	2024
By management level	Percentage of senior management receiving regular performance and career development appraisals	%	100	100	100
	Percentage of mid-level management receiving regular performance and career development appraisals	%	100	100	100
	Percentage of front-line employees receiving regular performance and career development appraisals	%	100	100	100
Occupational Health and Safety					
Number of incidents punished for violating occupational health and safety laws and regulations		Case	0	0	0
Number of employees with occupational diseases		Person	0	0	0
Injury rate per thousand employees ¹²		%	0.59	0.45	0.38
Number of workplace injuries		Person	5	3	3
Number of safety incidents		Case	5	3	3
Number of injury incidents		Case	5	3	3
Number of lost-time incidents		Case	5	3	3
Number of severe injury incidents		Case	0	0	0
Number of deaths due to work-related health issues		Person	0	0	0
Number of recordable work-related health issues		Case	0	0	1
Total working hours		Hour	16,494,840	13,057,848	16,271,766
Recordable injury rate per million working hours ¹³		Case/Hour	0.30	0.23	0.21
Total work hours lost due to injuries		Hour	1,272	624	936
Number of deaths due to work-related injuries		Person	0	0	0
Percentage of deaths due to work-related injuries		%	0	0	0
Number of workdays lost due to injuries		Day	159	78	117
Percentage of operational sites with health and safety risk assessments		%	100	100	100

Disclosures	Unit	2022	2023	2024
Percentage of employees receiving occupational health and safety training ¹⁴	%	68.23	75.21	100

Notes:

1. The total number of employees and the total number of new hires are consistent with data disclosed in the Company's annual report and include full-time labor contract employees from both the parent company and major subsidiaries. Part-time and other types of employees are not included.

2. In 2024, the number of employees working in Hong Kong, Macao, Taiwan and overseas as well as the number of new employees working in Hong Kong, Macao, Taiwan and overseas is increased due to the commencement of works in the Kenya base.

3 Ratio of new employees by category = number of new employees by category in the reporting period / (total number of employees by category at the end of the reporting period + number of employees lost by category in the reporting period) * 100%. Adjustments to the employee turnover rate by category for 2022 and 2023 are made according to the calculation formula.

4. Employee turnover rate by category = number of employees lost by category during the reporting period / (total number of employees by category at the end of the previous reporting period + number of new employees by category during the reporting period)*100%. Adjustments to the employee turnover rate by category for 2022 and 2023 are made according to the calculation formula.

5. Based on salaries, bonuses, allowances, subsidies and other benefits paid to employees.

6. Based on the results of new hire satisfaction survey.

7. Employee Net Promoter Score (E-NPS) = Percentage of employees willing to recommend the Company to friends and family - Percentage of employees unwilling to recommend - Employee voluntary resignation rate.

8. Unadjusted average gender pay gap= (Average salary of men - average salary of women) / average salary of men * 100%. The unadjusted average gender pay gap in 2022 and 2023 is adjusted according to the calculation formula.

9. Retention rate of employees on parental leave = number of employees who returned to work after the end of parental leave and are still employed after 12 months/number of employees who returned to work during the reporting period after the end of parental leave in the previous year *100%.

10. Coverage of employee training = (Number of employees who received training / Total number of employees) * 100%

11. Average training hours per employee = Total training hours / Total number of employees

12. Injury rate per thousand employees = Number of workplace injuries / (Total number of employees / 1,000)

13. Recordable injury rate per million working hours = Number of workplace injuries / Total number of working hours * 100%

14. Percentage of employees receiving occupational health and safety training = (Number of employees receiving occupational health and safety training / Total number of employees) * 100%

R&D and Innovation Performance

Disclosures	Unit	2022	2023	2024
R&D and Innovation				
R&D investment	RMB 10,000	22,700.00	13,894.65	13,549.00
Proportion of R&D investment in main business income	%	3.70	3.37	3.18
Number of R&D personnel	Person	656	546	447
Ratio of R&D personnel	%	7.73	8.13	5.73
Number of R&D projects	#	578	512	498
Intellectual Property Protection				
Number of patent applications during the reporting period	#	133	32	33
Number of patent granted during the reporting period	#	121	79	64

Disclosures	Unit	2022	2023	2024
Number of trademark applications during the reporting period	#	9	159	170
Number of trademark granted during the reporting period	#	47	17	106
Number of invention patent applied to main business	#	63	79	107
Total number of patent granted	#	1,120	1,152	1,216
Total number of patent applications	#	635	871	904

Products and Customer Services Performance

Disclosures		Unit	2022	2023	2024
Quality Management of Products and Services					
Number of incidents punished for violating product and service related laws and regulations		Case	1	1	0
Number of products recalled due to safety and health issues		Case	0	0	0
Number of legal and regulatory violations related to health and safety in products and services provided		Case	0	0	0
Amount of damages caused by major accidents related to safety and quality of products and services during the reporting period		RMB 10,000	0	0	0
Customer Relationship Management					
Customer Net Promoter Score (C-NPS) ¹	Domestic market	/	88.11	83.89	84.27
	International market	/	30.51	52.80	53.00
Total number of complaints received about products and services		Case	1,569	976	1,023
Handling rate of complaints received about products and services ²		%	100	100	100
Data Security and Customer Privacy Protection					
Number of people covered by personal information security training for employees		Person	8,485	6,717	7,807
Number of incidents punished for violating information security laws and regulations		Case	0	0	0

Disclosures	Unit	2022	2023	2024
Number of confirmed incidents of leakage, theft or loss of client information	Case	0	0	0
Amount involved in data security incidents	RMB 10,000	0	0	0
Amount involved in customer privacy breaches	RMB 10,000	0	0	0

Notes:

1. Based on the results of customer satisfaction survey, including data from both domestic and international markets. Starting from 2022, we adopted the Customer Net Promoter Score (C-NPS) method, replacing the customer satisfaction survey method used in 2020 and 2021. Calculation Formula: Customer Net Promoter Score (C-NPS) = Percentage of promoters - Percentage of detractors.

2. Based on the results of customer satisfaction survey, including data from both domestic and international markets. Starting from 2022, the Company adopted the Customer Net Promoter Score (C-NPS) method, replacing the customer satisfaction survey method used in 2020 and 2021. Calculation Formula: Customer Net Promoter Score (C-NPS) = Percentage of promoters - Percentage of detractors.

Community Public Welfare Performance

Disclosures	Unit	2022	2023	2024
Charity and volunteer services				
Total investment in public welfare and charity	RMB 10,000	527.40	324.57	230.00
Number of employees participating in voluntary activities	Person	184	320	334
Total time of employee volunteer service	Hour	926	1,953	2,004
Rural revitalization				
Amount of investment in rural revitalization	RMB 10,000	107.24	80.40	83.80
Number of people benefited from rural revitalization	Person	6,850	5,050	5,128

Environmental Performance

Disclosures	Unit	2022	2023	2024
Environmental Management System				
Number of employees participating in environmental protection training	Person	3,154	3,102	3,267
Percentage of employees who have received training on specific environmental issues	%	5.70	5.60	5.70
Percentage of workplaces that have undergone environmental risk assessment	%	90.00	90.00	100.00
Percentage of operational sites with environmental certification	%	50.00	66.67	100.00

Disclosures	Unit	2022	2023	2024
Number of incidents punished for violating environmental protection laws and regulations ¹	#	0	0	0
Total fines imposed for violations of environmental protection laws and regulations	RMB 10,000	0	0	0
Annual investment in environmental protection	RMB 10,000	1,504.00	1,048.14	1,177.79
Energy Management ¹				
Direct energy consumption	Ton standard coal	1,786.61	3,037.58	4,928.48
Natural gas consumption	Cubic meters	1,156,316.00	1,252,191.00	1,621,451.60
Liquefied petroleum gas consumption	Ton	7.09	5.26	6.33
Fixed source diesel consumption ²	Ton	4.00	4.15	11.15
Diesel consumption for official vehicles ³	Liter	26,462.64	22,191.01	55,963.00
Gasoline consumption of official vehicles	Liter	72,575.35	72,940.00	82,378.45
Indirect energy consumption	Ton standard coal	27,095.17	24,822.49	23,164.57
Total purchased electricity	MWh	91,169.39	81,270.89	84,685.12
Purchased electricity from non-renewable sources	MWh	90,928.44	81,270.89	83,539.37
Purchased electricity from renewable sources	MWh	240.95	0.00	1,145.76
Purchased steam consumption	GJ	465,487.50	434,558.75	373,660.98
Self-produced renewable energy consumption ⁴	Ton standard coal	118.91	1,250.18	2,585.79
Comprehensive energy consumption intensity (per unit operating income)	Ton standard coal /RMB 10,000	0.05	0.07	0.07
Renewable energy consumption ⁵	MWh	1,207.80	10,165.05	22,170.52
Percentage of renewable energy in total energy consumption	%	0.51	5.78	9.70
Total energy consumption	Ton standard coal	28,881.79	27,860.07	28,093.05
Clean energy consumption	MWh	13,471.25	23,706.24	39,204.89

Disclosures		Unit	2022	2023	2024
Clean energy consumption by energy type	Natural gas	Cubic meters	1,156,316.00	1,252,191.00	1,621,451.60
	Solar energy	MWh	966.85	10,165.05	21,024.76
	Other ⁶	MWh	0.00	0.00	645.76
Proportion of clean energy by energy type	Natural gas	%	92.82	57.12	44.72
	Solar energy	%	7.18	42.88	53.63
	Other ⁶	%	0.00	0.00	1.65
The Circular economy					
Total usage of finished product packaging materials		Ton	47,800	25,600	36,971
Packaging material usage by type	Paper	Ton	37,300	25,000	26,584
	Plastic	Ton	10,500	600	10,387
Usage of environment-friendly packaging materials for finished products		Ton	26,290	16,640	25,140
Percentage of environment-friendly packaging materials for finished products		%	55	65	68
Total usage of non-renewable materials		Ton	10,500	600	10,387
Total usage of renewable materials		Ton	37,300	25,000	26,584
Water Resources Management					
Total water withdrawal		Cubic meters	1,131,305.00	1,321,508.00	1,014,871.24
Water consumption by source	Surface water	Cubic meters	715,042.00	884,940.00	622,036.00
	Municipal water supply	Cubic meters	416,263.00	436,568.00	392,835.24
Total water discharge		Cubic meters	911,168.54	1,104,704.68	816,720.34
Water discharge by destination	Surface water	Cubic meters	0.00	0.00	1200.00
	Sewage pipes	Cubic meters	911,168.54	1,104,704.68	815,520.34
Total water consumption		Cubic meters	220,136.46	216,803.32	198,150.90
Water consumption rate		Cubic meters/ RMB 10,000	0.36	0.53	0.45
Total recycled water usage		Cubic meters	659,592.70	745,372.90	528,270.80
Percentage of recycled water		%	58.30	56.40	52.05

Disclosures		Unit	2022	2023	2024
Wastewater Management					
Industrial wastewater discharge ⁷		Ton	384,321.74	483,204.46	357,821.02
Chemical oxygen demand (COD) discharge		Ton	50.59	46.68	44.28
NH ₃ -N discharge		Ton	1.83	1.75	2.97
Waste Gas Management					
Total emissions of waste gases		Cubic meters	209,965,214.29	303,726,592.86	278,069,230.65
Nitrogen oxides (NOx) emissions ⁸		Kg	243	311	446.36
Emissions of Volatile		Kg	2,082.85	3,624.84	3,645.80
Waste Management ⁹					
Total amount of non-hazardous waste		Ton	5,206.17	4,735.77	4148.27
Non-hazardous waste density (per unit of revenue)	Incinerated with energy recovery	Ton	495.59	394.44	474.53
	Landfill	Ton	0.00	0.00	71.59
	Recycling/reuse	Ton	4,690.78	4,314.03	3,574.05
	Other ¹⁰	Ton	19.80	27.30	28.10
Non-hazardous waste intensity (per unit of revenue)		Ton/RMB 10,000	0.0080	0.0110	0.0095
Total amount of hazardous waste ¹¹		Ton	39.83	65.58	89.11
Amount of hazardous waste by disposal method	Incinerated with energy recovery	Ton	7.51	29.74	32.49
	Incinerated without energy recovery	Ton	0.00	0.00	0.06
	Other ¹⁰	Ton	32.32	35.84	56.56
Hazardous waste density (per unit of revenue)		Ton /RMB 10,000	0.0001	0.0002	0.0002
Total waste generated		Ton	5,246.00	4,806.15	4,237.38
Total waste recycled		Ton	1,094.48	880.84	995.21
Percentage of total operational waste transferred from landfills		%	20.86	18.33	23.49
Climate Change Mitigation and Adaption ¹²					
Scope 1 GHG emissions		tCO ₂ e	2,781.55	2,974.48	3,913.52
Scope 2 GHG emission (location-based)		tCO ₂ e	101,966.74	93,053.09	86544.74

Disclosures	Unit	2022	2023	2024
Scope 2 GHG emission (market-based)	tCO ₂ e	/	96,092.62	90,023.36
Total GHG emission (Scope 1 + Scope 2) (location-based)	tCO ₂ e	104,748.30	96,027.57	90,458.26
GHG emission density (Scope 1 + Scope 2) (per unit of revenue) (location-based))	tCO ₂ e/RMB 10,000	0.17	0.23	0.21

Notes:

1. The energy management-related data covers all operational sites in China. In 2024, the Company verified energy data according to unified standards, retrospectively adjusted part of energy consumption data, while retrospectively adjusting the scope 1 and 2 greenhouse gas emissions and total greenhouse gas emissions in 2023.

2. In 2024, the increase in diesel use from stationary sources is mainly due to the construction of the Kenyan base.

3. In 2024, the increase in diesel consumption of official vehicles is mainly due to the official operation of the Kenyan base, which uses diesel vehicles.

4. The amount of self-generated renewable energy is solar photovoltaic self-generated electricity.

5. Renewable energy includes solar photovoltaic self-generated electricity, purchased green electricity and green electricity certificates.

6. Other clean energy is geothermal energy used in Kenya.

7. In 2024, due to the improvement and upgrading of equipment, the discharge of industrial wastewater decreased significantly.

8. In 2024, the increase in particulate matter, nitrogen oxide and sulfur oxide emissions will be mainly driven by emissions from the Kenyan base.

9. The statistical data related to waste management covers all operational sites.

10. It was transported uniformly by a third-party solid waste disposal unit, and the treatment method was unknown.

11. In 2024, the Shaoxing Factory uniformly handled the experimental glue, thus causing fluctuations in the total amount of hazardous waste.

12. Data description:

(1) The GHG emission data covers all operational sites in China.

(2) Reference standard: The calculation of Scope 1 and Scope 2 greenhouse gases refers to the *GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition)*, the *ISO14064-1:2018 Greenhouse Gases - Part 1: Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals*, and the *General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises* (GB/T32150-2015), the *Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises – Power Generation Facilities* and other accounting standards.

(3) Emission factors: The greenhouse gas types calculated in this report include CO₂, CH₄, and N₂O in Scope 1, and CO₂ in Scope 2. The selected GWP value comes from IPCCAR6, where CH₄ corresponds to a GWP value of 27.9 tCO₂e/tCH₄, and N₂O corresponds to a GWP value of 273 tCO₂e/tN₂O.

The default values of emission factors used in Scope 1 are derived from the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Land Transport Enterprises (Trial)* (2015), *China Energy Statistical Yearbook* (2021), and *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises of Other Industries (Trial)* (2015). The emission factors used in Scope 2 are calculated based on relevant documents issued by Ministry of Ecology and Environment of China. Among them, the emission factor of the power grid is 0.5366 tCO₂e/MWh, as published in the *Announcement on the Release of the 2022 Power Sector CO₂ Emission Factor* by the Ministry of Ecology and Environment of People's Republic of China and National Bureau of Statistics.

Governance Performance

Disclosures	Unit	2022	2023	2024
Corporate Governance				
Number of board members	Person	9	9	9
Number of female directors	Person	3	3	3
Number of independent directors	Person	3	3	3
Percentage of female directors on the board of directors	%	33.33	33.33	33.33
Number of employee supervisors	Person	1	1	1

Disclosures	Unit	2022	2023	2024
Number of shareholders' meetings	#	3	3	1
Number of board of directors' meetings	#	12	6	7
Number of supervisory board meetings	#	9	6	6
Anti-corruption and Anti-bribery				
Number of directors participating in anti-corruption training	Person	9	9	9
Percentage of directors covered by anti-corruption training	%	100	100	100
Total hours of anti-corruption training received by directors	Hour	36	36	36
Hours of anti-corruption training per director	Hours/Person	4	4	4
Number of management staff participating in anti-corruption training	Person	337	295	340
Percentage of management staff covered by anti-corruption training	%	100	100	100
Number of employees participating in anti-corruption training	Person	3,154	3,102	3,219
Percentage of employees participating in anti-corruption training	%	37.17	46.18	44.19
Total hours of anti-corruption training received by employees	Hour	12,616	12,408	12,786
Hours of anti-corruption training per employee	Hours/Person	1.49	1.85	1.76
Number of suppliers participating in anti-corruption training	#	696	684	762
Percentage of operational sites that have undergone corruption risk assessments	%	100	100	100
Percentage of sites audited for specific business ethics issues	%	100	100	100
Percentage of at-risk trading partners covered by the corruption and information security due diligence process	%	100	100	100
Number of reported incidents of corruption and bribery received	#	0	0	0
Number of corruption lawsuits filed and concluded against the issuer or its employees during the reporting period	#	0	0	0
Total number of confirmed incidents (in which employees were dismissed or disciplined due to corruption)	#	0	0	0

Disclosures	Unit	2022	2023	2024
Total number of confirmed incidents (where contracts with business partners were terminated or not renewed owing to corruption-related irregularities)	#	0	0	0
Anti-unfair Competition				
Number of cases in which the Company was sanctioned by the relevant authorities for unfair competition practices in its operations or violations of the antitrust and anti-monopoly laws	#	0	0	0
Amount of litigation or major administrative penalties caused by the Company's unfair competition during the reporting period	RMB 10,000	/	/	0

Economic Performance

Disclosures	Unit	2022	2023	2024
Economic Performance				
Social contribution per share ¹	RMB	7.55	5.84	5.69
Basic earnings per share	RMB/Share	2.87	0.74	1.45
Operating income	RMB 10,000	613,763	412,704	426,389
Net profit attributable to ordinary shareholders after extraordinary gains and losses	RMB 10,000	70,197	18,958	31,640
Total tax payments	RMB 10,000	26,630	33,172	24,620
Total employee salaries and benefits paid by the Company	RMB 10,000	100,401	100,365	92,240
Interest on borrowings from banks and other creditors	RMB 10,000	3,354	2,893	2,873
Value created for other stakeholders, such as donations to external parties	RMB 10,000	527	324	230
Other social costs due to environmental pollution, etc.	RMB 10,000	0	0	0
Total shares issued by the Company	Share	266,451,202	266,451,202	266,451,202

Notes:

1.Social contribution per share = Basic earnings per share + (Total tax payments + Salaries paid to employees + Interest on borrowings from banks and other creditors + Value created for other stakeholders, such as donations to external parties - Other social costs due to environmental pollution, etc.)/ Total shares issued by the Company.

Supply Chain Performance

Disclosures	Unit	2022	2023	2024
Supply Chain Management				
Number of suppliers in the Mainland China	#	667	653	730
Number of suppliers in Hong Kong, Macao, Taiwan and overseas	#	29	31	32
Total number of suppliers	#	696	684	762
Percentage of target suppliers that have signed the Supplier Code of Conduct	%	/	100	100
Percentage of suppliers signing contracts with environmental, labor, and human rights provisions	%	/	10	88
Percentage of target suppliers that have undergone on-site CSR audits ¹	%	53.33	80.00	88.00
Number of suppliers assessed for environmental, labor, and ethical aspects and failed	#	0	0	0
Percentage of suppliers assessed for environmental, labor, and ethical aspects and passed	%	100	100	100
Number of suppliers identified as having actual and potential significant negative social and environmental impacts and receiving support in implementing corrective action plans	#	0	0	0
Percentage of suppliers agreeing to improvements after environmental and social impact assessments	%	76	66	50
Percentage of procurement staff who have completed sustainable procurement training	%	100	100	100
Percentage of procurement spending on local suppliers ²	%	98.96	96.39	93.31

Notes:

1. During the reporting period, the Company strengthened ESG management of key suppliers. Suppliers with higher procurement amounts were included in the target scope of on-site assessments in areas such as environmental impact, labor practices, and ethics, and were evaluated through on-site inspections and comprehensive scoring. The total procurement amount from these key suppliers included in the ESG on-site audits accounted for over 80% of the Company's total procurement.

2. The procurement spending on local suppliers is specifically for those located in the same area as the Company's key operational sites.

Report Benchmarking Index Table

Index Table of the Guidelines No.14 for Self-Regulation of Listed Companies on the Shanghai Stock Exchange: Sustainability Report (Trial)

Terms and Disclosure Content	Report Chapter
Chapter 1 General Provisions	Sustainability management
Chapter II Disclosure Framework for Sustainability Information	Sustainability management
	Chapters and sections in this report
Chapter III Environmental Disclosure	
Section 1 Climate Response	
Climate change tackling	Zhende Ecology - Creating value with sustainable thinking Promoting green development - Climate change mitigation and adaptation ESG quantitative performance table
Section 2 Pollution Control and Ecosystem Protection	
Pollutant discharge	Promoting green development-environmental management system ESG quantitative performance table
Waste disposal	Promoting green development-environmental management system ESG quantitative performance table
Ecosystem and biodiversity protection	Promoting green development-environmental management system
Environmental compliance management	Promoting green development-environmental management system
Section 3 Resource Utilization and Circular Economy	
Energy usage	Promoting green development- resources conservation and utilization ESG quantitative performance table
Usage of water resources	Promoting green development- resources conservation and utilization ESG quantitative performance table
Circular economy	Promoting green development- resources conservation and utilization ESG quantitative performance table

Terms and Disclosure Content	Report Chapter
Chapter IV Social Disclosure	
Section 1 Rural Revitalization and Social Contributions	
Rural revitalization	Be a trustworthy partner - community communication and development
Contributions to the society	ESG quantitative performance table
Section 2 Innovation-Driven Development and Ethics of Science and Technology	
Innovation-driven	Be a trustworthy partner - innovation ESG quantitative performance table
Ethics of science and technology	Not applicable. The Company does not engage in scientific research or technology development activities in the field of ethics of science and technology, such as life sciences and artificial intelligence, during its production and operation.
Section 3 Suppliers and Clients	
Supply chain security	Be a trustworthy partner - sustainable supply chain
Equal treatment of small and medium-sized enterprises	Be a trustworthy partner - sustainable supply chain
Safety and quality of products and services	Be a trustworthy partner - product and service safety and quality
Data security and customer privacy protection	Be a trustworthy partner - information security and privacy protection
Section 4 Employees	
Employees	Caring for employee growth-Protection of Employees' Rights and Interests Caring for employee growth-employee training and development Caring for employee growth-occupational health and safety ESG quantitative performance table
Chapter V Corporate Governance Information Related to Sustainable Development Disclosure	
Section 1 Sustainability-Related Governance Mechanisms	
Due diligence	Sustainability management
Communications with stakeholders	Sustainability management- Stakeholder engagement
Section 2 Commercial Behaviors	
Anti-commercial bribery and anti-corruption	Improving the governance system-compliance operation management
Anti- unfair competition	Improving the governance system-compliance operation management
Chapter VI Supplementary Provisions and Interpretation	

GRI Standards (2021)

Note	From January 1, 2024 to December 31, 2024, Zhende Medical prepared the report in compliance with the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI industry standards	No applicable industry standards

Zhende Medical has developed the Benchmarking Index Table based on the GRI principles combined with the material topics identified and the information disclosed in the 2024 Sustainability Report. The Company has determined that the following topics are non-material and thus will not be included in the Benchmarking Index Table: **GRI 202 (Market Presence)**, **GRI 207 (Tax)**, **GRI 101 (Biodiversity)**, **GRI 410 (Security Practices)**, **GRI 411 (Rights of Indigenous Peoples)**, **GRI 415 (Public Policy)**.

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
General Disclosures					
GRI 2: General Disclosures (2021)	2-1 Organizational details	About Zhende Medical	Not applicable for "omission"		
	2-2 Entities included in the organization's sustainability reporting	About This Report			
	2-3 Reporting period, frequency and contact point	About This Report			
	2-4 Restatements of information	ESG Performance Tables			
	2-5 External assurance	Assurance Statement			
	2-6 Activities, value chain and other business relationships	About Zhende Medical			
	2-7 Employees	Caring for employee growth - Protection of Employees' Rights and Interests ESG Performance Tables			
	2-8 Workers who are not employees	ESG Performance Tables			
	2-9 Governance structure and composition	Improving the Governance System- Corporate Governance System			
	2-10 Nomination and selection of the highest governance body	Improving the Governance System- Corporate Governance System			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 2: General Disclosures (2021)	2-11 Chair of the highest governance body	See 2024 Annual Report of Zhende Medical for details			
	2-12 Role of the highest governance body in overseeing the management of impacts	Improving the Governance System- Corporate Governance System Sustainable Development Management- Structure and Responsibilities			
	2-13 Delegation of responsibility for managing impacts	Improving the Governance System- Corporate Governance System Sustainable Development Management- Structure and Responsibilities			
	2-14 Role of the highest governance body in sustainability reporting	Sustainable Development Management- Structure and Responsibilities			
	2-15 Conflicts of interest	Improving the Governance System- Corporate Governance System Improving the Governance System-Compliance Operation Management			
	2-16 Communication of critical concerns	Sustainability Management- Stakeholder Engagement			
	2-17 Collective knowledge of the highest governance body	Sustainable Development Management- Structure and Responsibilities			
	2-18 Evaluation of the performance of the highest governance body	Omitted	2-18-a 2-18-b 2-18-c	Confidentiality restrictions	This information will not be disclosed for the time being due to confidentiality requirements.
	2-19 Remuneration policies	Omitted	2-19-a 2-19-b	Confidentiality restrictions	This information will not be disclosed for the time being due to confidentiality requirements.
	2-20 Process to determine remuneration	Omitted	2-20-a 2-20-b	Confidentiality restrictions	This information will not be disclosed for the time being due to confidentiality requirements.
	2-21 Annual total compensation ratio	ESG Performance Tables			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 2: General Disclosures (2021)	2-22 Statement on sustainable development strategy	Sustainable Development Management- Strategy Message from the Chairman			
	2-23 Policy commitments	Improving the Governance System-Compliance Operation Management			
	2-24 Embedding policy commitments	Improving the Governance System-Compliance Operation Management			
	2-25 Processes to remediate negative impacts	Caring for employee growth - Protection of Employees' Rights and Interests			
	2-26 Mechanisms for seeking advice and raising concerns	Improving the Governance System-Compliance Operation Management			
	2-27 Compliance with laws and regulations	Improving Governance System Caring for employee growth Promoting Green Development Being a Reliable Partner			
	2-28 Membership associations	About Zhende Medical-Company Events in 2024 Being a Reliable Partner-Industry Exchange and Cooperation			
	2-29 Approach to stakeholder engagement	Sustainability Management-Stakeholder Engagement			
	2-30 Collective bargaining agreements	Caring for employee growth - Protection of Employees' Rights and Interests			
Material Topics					
GRI 3: Material Topics (2021)	3-1 Process to determine material topics	Sustainability Management-Stakeholder Engagement			
	3-2 List of material topics	Sustainability Management-Stakeholder Engagement			
Economic Performance					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement ESG Performance Tables			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	ESG Performance Tables			
	201-2 Financial implications and other risks and opportunities due to climate change	Promoting Green Development-Climate Change Mitigation and Adaptation			
	201-3 Defined benefit plan obligations and other retirement plans	Omitted	201-3-a 201-3-b 201-3-c 201-3-d 201-3-e	Information missing/incomplete	This information has not been collected so it cannot be disclosed for the time being.
	201-4 Financial assistance received from government	Omitted	201-4-a 201-4-b 201-4-c	Information missing/incomplete	This information has not been collected so it cannot be disclosed for the time being.
Indirect Economic Impacts					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Zhende Charity, Building a Harmonious and Healthy Future Being a Reliable Partner-Community Communication and Development			
GRI 203: Indirect Economic Impacts (2016)	203-1 Infrastructure investments and services supported	Zhende Charity, Building a Harmonious and Healthy Future Being a Reliable Partner-Community Communication and Development			
	203-2 Significant indirect economic impacts	Zhende Charity, Building a Harmonious and Healthy Future Being a Reliable Partner-Community Communication and Development			
Procurement Practices					
GRI3: Material Topics (2021)	3-3 Management of material topics	Being a Reliable Partner-Sustainable Supply Chain			
GRI 204: Procurement Practices (2016)	204-1 Proportion of spending on local suppliers	ESG Performance Tables			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
Anti-corruption					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Improving the Governance System-Compliance Operation Management			
GRI 205: Anti-corruption (2016)	205-1 Operations assessed for risks related to corruption	ESG Performance Tables			
	205-2 Communication and training about anti-corruption policies and procedures	Improving the Governance System-Compliance Operation Management			
	205-3 Confirmed incidents of corruption and actions taken	ESG Performance Tables			
Anti-competitive Behavior					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Improving the Governance System-Compliance Operation Management			
GRI 206: Anti-competitive Behavior (2016)	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	ESG Performance Tables			
Materials					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Promoting Green Development-Resource Conservation and Utilization ESG Performance Tables			
GRI 301: Materials (2016)	301-1 Weight or volume of materials used	ESG Performance Tables			
	301-2 Recycled input materials used	ESG Performance Tables			
	301-3 Recycled products and their packaging materials	ESG Performance Tables			
Energy					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Promoting Green Development-Resource Conservation and Utilization			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 302: Energy (2016)	302-1 Energy consumption within the organization	Promoting Green Development-Resource Conservation and Utilization ESG Performance Tables			
	302-2 Energy consumption outside of the organization	Omitted	302-2-a 302-2-b 302-2-c	Information missing/incomplete	This information has not been collected so it cannot be disclosed for the time being.
	302-3 Energy intensity	Promoting Green Development-Resource Conservation and Utilization ESG Performance Tables			
	302-4 Reduction of energy consumption	Promoting Green Development-Resource Conservation and Utilization			
	302-5 Reduction in energy requirements of products and services	Promoting Green Development-Resource Conservation and Utilization			
Water and Effluents					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Promoting Green Development-Resource Conservation and Utilization Promoting Green Development-Environmental Management System			
GRI 303: Water and Effluents (2018)	303-1 Interactions with water as a shared resource	Promoting Green Development-Resource Conservation and Utilization Promoting Green Development-Environmental Management System			
	303-2 Management of water discharge-related impacts	Promoting Green Development-Environmental Management System			
	303-3 Water withdrawal	ESG Performance Tables			
	303-4 Water discharge	ESG Performance Tables			
	303-5 Water consumption	ESG Performance Tables			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
Emissions					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Promoting Green Development-Environmental Management System Promoting Green Development-Climate Change Mitigation and Adaptation			
GRI 305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	Promoting Green Development-Climate Change Mitigation and Adaptation ESG Performance Tables			
	305-2 Energy indirect (Scope 2) GHG emissions	Promoting Green Development-Climate Change Mitigation and Adaptation ESG Performance Tables			
	305-3 Other indirect (Scope 3) GHG emissions	Promoting Green Development-Climate Change Mitigation and Adaptation ESG Performance Tables			
	305-4 GHG emissions intensity	ESG Performance Tables			
	305-5 Reduction of GHG emissions	Zhende Ecology, Creating Value with Sustainable Thinking			
	305-6 Emissions of ozone-depleting substances (ODS)	Omitted	305-6-a 305-6-b 305-6-c 305-6-d	Information missing/ incomplete	This information has not been collected so it cannot be disclosed for the time being.
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	ESG Performance Tables			
Wastes					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Promoting Green Development-Environmental Management System			
GRI 306: Waste (2020)	306-1 Waste generation and significant waste-related impacts	Promoting Green Development-Environmental Management System			
	306-2 Management of significant waste-related impact	Promoting Green Development-Environmental Management System			
	306-3 Waste generated	ESG Performance Tables			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 306: Waste (2020)	306-4 Waste diverted from disposal	ESG Performance Tables			
	306-5 Waste directed to disposal	ESG Performance Tables			
Supplier Environmental Assessment					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Being a Reliable Partner-Sustainable Supply Chain			
GRI 308: Supplier Environmental Assessment (2016)	308-1 New suppliers that were screened using environmental criteria	Omitted	308-1-a	Information missing/incomplete	This information has not been collected so it cannot be disclosed for the time being.
	308-2 Negative environmental impacts in the supply chain and actions taken	ESG Performance Tables			
Employment					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth - Protection of Employees' Rights and Interests			
GRI 401: Employment (2016)	401-1 New employee hires and employee turnover	ESG Performance Tables			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Caring for employee growth - Protection of Employees' Rights and Interests			
	401-3 Parental leave	ESG Performance Tables			
Labor/Management Relations					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth - Protection of Employees' Rights and Interests			
GRI 402: Labor/Management Relations (2016)	402-1 Minimum notice periods regarding operational changes	Omitted	402-1-a 402-1-b	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
Occupational Health and Safety					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth-Occupational Health and Safety			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 403: Occupational Health and Safety(2018)	403-1 Occupational health and safety management system	Caring for employee growth-Occupational Health and Safety			
	403-2 Hazard identification, risk assessment, and incident investigation	Caring for employee growth-Occupational Health and Safety			
	403-3 Occupational health services	Caring for employee growth-Occupational Health and Safety			
	403-4 Worker participation, consultation, and communication on occupational health and safety	Caring for employee growth-Occupational Health and Safety			
	403-5 Worker training on occupational health and safety	Caring for employee growth-Occupational Health and Safety			
	403-6 Promotion of worker health	Caring for employee growth-Occupational Health and Safety			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Caring for employee growth-Occupational Health and Safety			
	403-8 Workers covered by an occupational health and safety management system	Caring for employee growth-Occupational Health and Safety ESG Performance Tables			
	403-9 Work-related injuries	ESG Performance Tables			
	403-10 Work-related ill health	ESG Performance Tables			
Training and Education					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth-Employee Training and Development			
GRI 404: Training and Education (2016)	404-1 Average hours of training per year per employee	ESG Performance Tables			
	404-2 Programs for upgrading employee skills and transition assistance programs	Caring for employee growth-Employee Training and Development			
	404-3 Percentage of employees receiving regular performance and career development reviews	ESG Performance Tables			
Diversity and Equal Opportunity					



GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth - Protection of Employees' Rights and Interests			
GRI 405: Diversity and Equal Opportunity (2016)	405-1 Diversity of governance bodies and employees	ESG Performance Tables			
	405-2 Ratio of basic salary and remuneration of women to men	ESG Performance Tables			
Anti-discrimination					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth - Protection of Employees' Rights and Interests			
GRI 406: Non-discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken	Caring for employee growth - Protection of Employees' Rights and Interests			
Freedom of Association and Collective Bargaining					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth - Protection of Employees' Rights and Interests			
GRI 407: Freedom of Association and Collective Bargaining (2016)	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Omitted	407-1-a 407-1-b	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
Child Labor					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth - Protection of Employees' Rights and Interests			
GRI 408: Child Labor (2016)	408-1 Operations and suppliers at significant risk for incidents of child labor	ESG Performance Tables Caring for employee growth - Protection of Employees' Rights and Interests			
Forced or Compulsory Labor					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Caring for employee growth - Protection of Employees' Rights and Interests			

GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 409: Forced or Compulsory Labor (2016)	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	ESG Performance Tables Caring for employee growth - Protection of Employees' Rights and Interests			
Local Communities					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Promoting Green Development-Environmental Management System			
GRI 413: Local Communities (2016)	413-1 Operations with local community engagement, impact assessments, and development programs	Omitted	413-1-a	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
	413-2 Operations with significant actual and potential negative impacts on local communities	Omitted	413-2-a	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
Supplier Social Assessment					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Being a Reliable Partner-Sustainable Supply Chain			
GRI 414: Supplier Social Assessment (2016)	414-1 New suppliers that were screened using social criteria	Omitted	414-1-a	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
	414-2 Negative social impacts in the supply chain and actions taken	ESG Performance Tables	414-2-c 414-2-e	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
Customer Health and Safety					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Being a Reliable Partner-Product and Service Safety and Quality			


GRI Standards	Disclosure	Location	Notes to Omission		
			Required Omissions	Reason	Explanation
GRI 416: Customer Health and Safety (2016)	416-1 Assessment of the health and safety impacts of product and service categories	Omitted	416-1-a	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Being a Reliable Partner-Product and Service Safety and Quality ESG Performance Tables			
Marketing and Labeling					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Being a Reliable Partner-Product and Service Safety and Quality			
GRI 417: Marketing and Labeling (2016)	417-1 Requirements for Product and Service Information and Labeling	Omitted	417-1-a 417-1-b	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
	417-2 Violations Involving Product and Service Information and Labeling	The Company did not have any violations related to product and service information and labeling during the reporting year			
	417-3 Violations Involving Marketing Communications	Omitted	417-3-a 417-3-b	Information missing/incomplete	This information is temporarily unavailable so it cannot be fully disclosed.
Customer Privacy					
GRI3: Material Topics (2021)	3-3 Management of material topics	Sustainability Management-Stakeholder Engagement Being a Reliable Partner-Data Security and Privacy Protection			
GRI 418: Customer Privacy (2016)	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Being a Reliable Partner-Data Security and Privacy Protection ESG Performance Tables			

Benchmarking Index Table of SDGs


SDGs	SDGs Sub-targets	Reporting Chapters
	1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.90 a day. 1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.	Being a Reliable Partner-Innovative Solutions Being a Reliable Partner-Community Communication and Development Zhende Charity, Building a Harmonious and Healthy Future
	3.8 Access to safe, effective, quality and affordable essential medicines and vaccines for all.	Being a Reliable Partner-Innovative Solutions Being a Reliable Partner-Community Communication and Development Zhende Charity, Building a Harmonious and Healthy Future
	4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	Caring for employee growth-Employee Training and Development
	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	Caring for employee growth - Protection of Employees' Rights and Interests
	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	Promoting Green Development-Environmental Management System Promoting Green Development-Resource Conservation and Utilization
	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.	Promoting Green Development-Resource Conservation and Utilization Zhende Ecology, Creating Value with Sustainable Thinking
	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms. 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	Caring for employee growth - Protection of Employees' Rights and Interests Caring for employee growth-Employee Training and Development

SDGs	SDGs Sub-targets	Reporting Chapters
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Being a Reliable Partner-Innovative Solutions Promoting Green Development-Environmental Management System Promoting Green Development-Resource Conservation and Utilization Zhende Ecology, Creating Value with Sustainable Thinking
	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Zhende Ecology, Creating Value with Sustainable Thinking Promoting Green Development-Climate Change Mitigation and Adaptation

Assurance Statement



INDEPENDENT ASSURANCE STATEMENT



Bureau Veritas Certification

Objectives of Work

Bureau Veritas Certification (Beijing) Co., LTD ("BUREAU VERITAS") has been engaged by Zhende Medical Co., Ltd. (hereafter referred to as "Zhende Medical") to conduct an independent Assurance of its 2024 SUSTAINABILITY REPORT (the "Report"). This Assurance Statement applies to the related information included within the scope of work described below.

This information and its presentation in the report are the sole responsibility of the management of Zhende Medical. Our sole responsibility was to provide independent assurance on the accuracy and reliability of information included, and on the underlying systems and processes used to collect, analyse and review it.

Scope of work

Zhende Medical requested Bureau Veritas to verify the accuracy and reliability of the following:

- Data and information included in the Report for 2024.1.1-2024.12.31.

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period;
- Positional statements (expressions of opinion, belief, aim or future intention by Zhende Medical) and statements of future commitment;
- Financial data and information that has been audited by a third party.

Level of assurance: reasonable assurance level


Assurance standard


- International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)"), developed by the International Auditing and Assurance Standards Board;
- GRI Sustainability Reporting Standards, published by the Global Reporting Initiative

Methodology

As part of its independent assurance, Bureau Veritas undertook the following activities:


- Interviews with relevant personnel of Zhende Medical;
- Review of documentary evidence produced by Zhende Medical;
- Evaluation of information against Global Reporting Initiative (GRI) principles of Materiality, Accuracy, Completeness, Balance, Clarity and Comparability;
- Audit of performance data, tracing and checking the sample data according to the sampling principle;
- Review of Zhende Medical data and information systems for collection, aggregation and analysis;



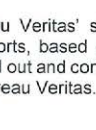


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INDEPENDENT ASSURANCE STATEMENT



Bureau Veritas Certification

Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Non-financial Reports, based on current best practice in independent assurance. The work was planned, carried out and concluded based on reasonable, rather than absolute assurance, as determined by Bureau Veritas.

Assurance Conclusion

On the basis of our methodology and the activities described above, it is our opinion that:

- The information and data included in the scope of our assurance are accurate, reliable and free from material mistake or misstatement;
- The information is presented in a clear, understandable and accessible manner;
- The information of the Report provides a fair and balanced representation of related ESG management activities during the period from 2024.1.1-2024.12.31;
- Zhende Medical has established appropriate systems for the collection, aggregation and analysis of relevant information. The performance data for 2024 has been disclosed with Comparability.

Accuracy

The information and data disclosed in the report are objective and reliable. Zhende Medical has established appropriate systems for the collection and disposal of quantitative data on organizational governance, environment and social management. Through on-site assurance, the evidence provided by Zhende Medical is relatively reliable and the report is of objectivity.

Materiality

Zhende Medical identified and disclosed material ESG issues and related information in accordance with the GRI Sustainability Reporting Standard.

Completeness


The report of Zhende Medical focuses on the aspects of "Sustainability governance", "Environmental responsibility", "Social responsibility". The report discloses data and information related to product responsibility, social responsibility, environmental responsibility, and employee responsibility, which are of concern to the stakeholders of Zhende Medical. The disclosed is of relative Completeness.


Based on the work conducted, we recommend Zhende Medical to consider the following:

- It is suggested that the ESG performance data should be compared with data from previous year through, for example, charts, statistics, target progress, etc., to enhance the comparability of data.
- It is suggested that the company organize internal self-checking of activity data or commission a third-party institution to verify carbon related data to facilitate further emission reduction activities.

Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in Quality, Environmental and Occupational Health and Safety, Social Responsibility with more than 190 years history in providing independent assurance services. Members of the assurance team have no interests or conflicts of relationship with Zhende Medical. We have conducted this Assurance independently and impartially. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities.





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