北京市春立正達醫療器械股份有限公司
Beijing Chunlizhengda Medical Instruments Co., Ltd.*

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

Stock code : 1858

2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

* For identification purpose only

Table of Contents

Report Introduction

REPORTING PERIOD:

1 January 2025 – 31 December 2025

REPORTING SCOPE:

This report is based on Beijing Chunlizhengda Medical Instruments Co., Ltd., covering the Company and its wholly-owned and controlled subsidiaries. The scope is consistent with the consolidated financial statements in the Company's annual report.

BASIS OF PREPARATION:

1. The Stock Exchange of Hong Kong Limited's Environmental, Social and Governance Reporting Code;

2. International Sustainability Standards Board (ISSB) Exposure Draft on Sustainability-related Financial Disclosures;

3. Global Reporting Initiative (GRI) Sustainability Reporting Standards;

4. Shanghai Stock Exchange STAR Market Listed Companies Self-Regulatory Guidelines No. 13 – Preparation of Sustainability Reports;

REPORTING PRINCIPLES:

1. Materiality: Identify core issues through communication with key stakeholders, including employees and suppliers; prioritize these issues based on financial impact and stakeholder concerns; concentrate on critical value areas; disclose management strategies, progress, and outcomes; and eliminate redundant information.

2. Balance: Objectively and impartially present sustainability performance by highlighting positive achievements as well as honestly disclosing challenges and negative information, thereby ensuring comprehensive and fair information disclosure.

3. Quantitative: Use quantitative data to present key environmental and social performance indicators, with corresponding sections or notes explaining measurement standards, calculation methods, tools, and sources of conversion factors, to ensure data credibility and traceability.

4. Consistency: Ensure consistency in data collection scope, indicator definitions, and statistical methodologies with prior years, thereby maintaining data comparability.
   Designation Clarification: For clarity and ease of reading, "Beijing Chunlizhengda Medical Instruments Co., Ltd." is herein also referred to as "Chunli Medical", "the Company", or "we".

Report Introduction

DATA SOURCES:

Internal company energy metering system, environmental monitoring ledger, human resources files, financial statements, third-party inspection reports, and compliance records, etc..

REPORT APPROVAL:

This report was approved for release by the Company's Board of Directors on 30 March 2025. The Board of Directors undertakes to supervise the content of the report, ensuring there are no false or misleading statements, and assumes responsibility for the authenticity, accuracy, and completeness of the content.

CONTACT INFORMATION:

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Chairman's Message

Reviewing every advancement in human health, the innovation and dissemination of medical technology have consistently served as fundamental drivers. As a medical device enterprise specializing in orthopedic implants, Chunli Medical has, since its inception, incorporated the original mission of providing the safest and the most effective quality products for the orthopedic patients in China and in the world. This mission remains central to our corporate identity. We acknowledge that the value of the Company is reflected not only in the success of its products and markets, but also in our respect for life and health, our commitment to sustainable development, and our responsibility toward all stakeholders. On behalf of the Board of Directors, I hereby sincerely present Chunli Medical's philosophies, practices, and commitments in the areas of Environmental, Social, and Governance (ESG).

1. DRIVING INNOVATION TO PROTECT LIFE AND HEALTH WHILE FULFILLING SOCIAL RESPONSIBILITY

The fundamental nature of medical devices is to extend the compassion of healthcare professionals and safeguard patients' quality of life. We have consistently upheld'Treat as One's Own and Pursue Continuous Innovation'as the highest standard for product research, development, and manufacturing. By maintaining strong and continuous investment in research and development, we are dedicated to advancing orthopedic technology, delivering higher-quality and more inclusive medical solutions, and enabling more patients to regain mobility and dignity. We actively collaborate with domestic and international medical institutions, experts, and scholars to engage in and support grassroots medical capacity building and the training of talents integrating medicine and engineering, contributing to the implementation of the national hierarchical diagnosis and treatment system and the Healthy China initiative. This is not only our area of expertise but also a social responsibility we must fulfill.

2. BUILDING A BEAUTIFUL HOMELAND BY ADVANCING LOW-CARBON OPERATIONS ROOTED IN GREEN PRINCIPLES

We understand that business production and operations are closely linked to the ecological environment. Chunli Medical fully integrates the concept of green development throughout its entire operational chain. We strictly adhere to national environmental protection laws and actively promote green manufacturing and clean production. By optimizing processes, upgrading environmental protection equipment, and managing energy and resource consumption, we continuously reduce the environmental impact of our operations. We implement environmental management throughout the entire product lifecycle, encompassing raw material selection, production packaging, and waste disposal, with the objective of minimizing environmental impact. We recognize that adhering to green operations is not only a responsibility towards addressing climate change but also a fundamental prerequisite for achieving sustainable and high-quality enterprise development.

3. ANCHORED IN GOVERNANCE, WE UPHOLD INTEGRITY AND TRANSPARENCY TO ENSURE STEADY AND SUSTAINABLE PROGRESS.

Sound corporate governance is the cornerstone of sustainable corporate development. Chunli Medical continues to strengthen its governance structure, comprising the Board of Directors and management, to ensure sound decision-making, effective checks and balances, and robust oversight. We uphold the highest standards of business ethics and legal compliance, build a comprehensive compliance and risk management system, strengthen anti-corruption and anti-Commercial Bribery mechanisms, and ensure that all company operations are conducted transparently. We place great importance on information security and the protection of patient data privacy. At the same time, we are committed to maintaining open and transparent communication with shareholders, customers, suppliers, and other parties, actively listening to every voice, managing the Company responsibly, and earning and sustaining long-term trust.

Looking ahead, we still have a long way to go. Putting ESG principles into practice is not something achieved overnight, but an ongoing journey that requires steadfast commitment. Chunli Medical will integrate ESG more deeply into its corporate strategy and daily operations, set clear and measurable goals, and regularly review and improve its performance. We look forward to working hand in hand with all Stakeholders to continuously create greater social and environmental value while pursuing business success.

Let us join hands and work tirelessly to advance human health and well-being, drive sustainable progress in industry, and build a better society.

Chairman: Shi Wenling

Company Overview

Beijing Chunlizhengda Medical Instruments Co., Ltd., founded in 1998, is a leading orthopedic medical device manufacturer in China, specializing in the R&D, manufacturing, and sales of high-end implants and surgical instruments. The Company holds 174 registration certificates in China for Class II and higher medical device products. Its core product portfolio spans the full range of orthopedics, including joints, spine, sports medicine, and trauma, while it is also actively expanding into cutting-edge fields such as dentistry, PRP preparation systems, orthopedic power systems, and surgical robots. While maintaining its leading position in the domestic market, the Company has actively expanded into international markets. Its hip, knee, spine, and other product lines have obtained CE certification and U.S. FDA 510(k) clearance. Its technological capabilities have earned international recognition, and its products are sold in 68 countries and regions worldwide. The Company has built a multidisciplinary R&D team spanning mechanics, materials, biomechanics, clinical medicine, and other

fields, and has established innovation platforms such as the National Enterprise Technology Center and the National Postdoctoral Research Workstation. The Company has been recognized as the first national-level manufacturing single champion enterprise focused primarily on Artificial Joint Implants, and has also received multiple distinctions, including National High-Tech Enterprise, national-level specialized and sophisticated 'Little Giant' enterprise, and National Intellectual Property Advantage Enterprise. The Company has been deeply involved in national-level scientific research projects, and the three materials for which it led key technical breakthroughs were successfully selected for the first group of the "Open Call for Candidates" list for innovative biomedical materials tasks. Chunli Medical has always upheld the quality policy of "Treating products as if they were for our own use, with continuous innovation", and is dedicated to overcoming the industry's core and critical technologies, advancing independent innovation in orthopedics, and becoming a high-quality medical device enterprise with global influence.

Company Overview

TOP.1
leader in artificial joint implants manufacturing

68+
products exported to countries and regions worldwide

6000+
products used in hospitals across China

728
patents

191
invention patents

13
international PCT patents

174
class II and above medical device registration certificates

14
software copyrights

7
internationally pioneering products

2 VOLUMES
of industry monographs

29
national and provincial- or ministerial-level key research projects

24
national standards, industry standards, and association standards

NATIONAL MANUFACTURING SINGLE CHAMPION ENTERPRISE

NATIONAL ENTERPRISE TECHNOLOGY CENTER

NATIONAL SPECIALIZED AND SOPHISTICATED SME "LITTLE GIANT" ENTERPRISE

NATIONAL INTELLECTUAL PROPERTY ADVANTAGE ENTERPRISE

NATIONAL POSTDOCTORAL RESEARCH WORKSTATION

NATIONAL INTELLIGENT MANUFACTURING OUTSTANDING SCENARIO

NATIONAL HIGH-TECH ENTERPRISE

TYPICAL APPLICATION SCENARIO FOR MASS CUSTOMIZATION

Corporate Development

FEBRUARY 1998
Beijing Chunlizhengda Technology Development Co., Ltd. was established in Beijing.

2000
The Company had its first registration certificate issued by the National Medical Products Administration for the CL Series hip prosthesis.

2001
The Company was granted GB/T 19000-2000 medical device quality management system certification.

2009
The Company was recognized as a National High-Tech Enterprise;

The Company obtained EU CE certification for Class III medical devices;

The "Chunli Sunshine Program" project was officially launched in partnership with the China Charity Federation.

2010
The Company completed its corporate restructuring into a joint-stock company and was officially renamed "Beijing Chunlizhengda Medical Instruments Co., Ltd.".

2012
The Company obtained the Export Sales Certificate for Medical Device Products of the People's Republic of China.

2014
China's first government-approved "Beijing Engineering Laboratory for Artificial Joints" was established.

2015
The Company was listed on the Main Board of the Hong Kong Stock Exchange, stock code: 01858. HK.

2016
The Company was recognized as a national G20 innovation-leading enterprise during the 13th Five-Year Plan period.

2018
The Company was approved as a National Postdoctoral Research Workstation;

Construction began on the new Daxing base.

Corporate Development

2019

- The Company was awarded the title of Beijing Enterprise Technology Center;
- Approved for an “Academician Expert Workstation”.

2020

- The project “Development of Porous Tantalum Bone Repair Materials and Implantable Products” under the National Key R&D Program for the 13th Five-Year Plan was officially approved.

2021

- The Middle East’s first bioprosthetic hip tumor surgery was successfully performed;
- The first domestic unicompartmental knee product featuring both mobile-bearing and fixed-bearing platforms was launched;
- The first domestic patellofemoral joint product was officially launched;
- The MIIT “open competition” project “Orthopedic Surgical Navigation Robot System Changjiang INS-1” was officially approved;
- Chunli Medical was successfully listed on the A-share STAR Market, becoming the first domestic orthopedic medical device company to achieve dual A+H listings.

2022

- The Company was recognized as a National Enterprise Technology Center;
- The Company was recognized as a Beijing Intellectual Property Demonstration Unit;
- The Company was recognized as a national-level specialized, sophisticated, distinctive, and innovative “Little Giant” enterprise;
- The “14th Five-Year Plan” National Key R&D Program project “R&D of High-Quality Medical Metal Powder Materials and Additively Manufactured Metal Implants” was officially approved;
- The invention patent “New Axial Knee Prosthesis” received the “China Patent Excellence Award”.

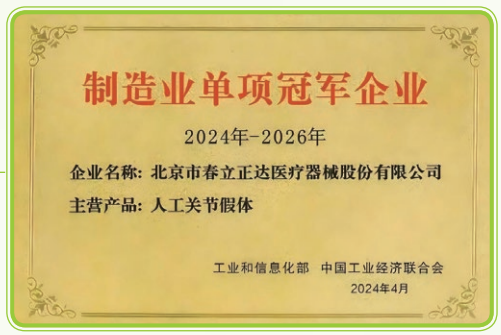
Corporate Development

2023

- China's first toe joint prosthesis product was approved for market launch;
- The "Hip Prosthesis - Zirconium-Niobium Femoral Head" developed by the postdoctoral research workstation of Chunli Medical was approved for market launch;
- MIIT open-call projects on "degradable medical magnesium alloy materials", "tantalum powder for medical additive manufacturing", and "biphasic calcium phosphate" were officially approved;
- The project under the National Key R&D Program during the 13th Five-Year Plan period was successfully completed;
- The Company was recognized as a "National Intellectual Property Advantage Enterprise";
- The Company completed the acquisition of Surgimaster.

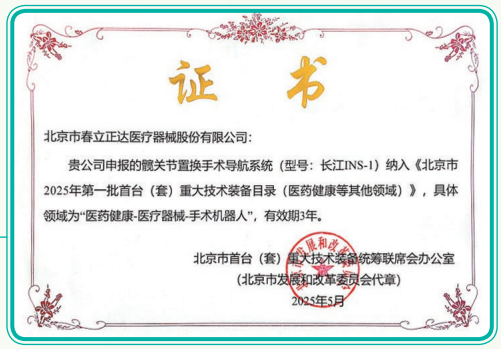
2024

- The Company was awarded the national-level title of "Manufacturing Single Champion";
- The Company received the Science and Technology Award of the China Nonferrous Metals Industry;
- The "Changjiang INS-1 Hip Joint Handheld Robot" was approved for market;
- The Company was successfully selected for MIIT's list of winning entities for the "AI Medical Device Innovation Task Open Call".



2025

- Chunli Medical was named to the "2025 Beijing Advanced-Level Smart Factory" list;
- Chunli Medical received the certificate for one of the Top 10 Innovative Surgical Robot Products;
- Chunli Medical was included in the first batch of the 2025 Beijing catalog of first-of-their-kind major technical equipment;
- Chunli Medical received the certificate for "Beijing New Technology, New Product, and New Service";
- Chunli Medical won the First Prize for Innovative Technology in the 2025 China Society for Simulation Science and Technology Awards;
- Chunli Medical was shortlisted for the Ministry of Industry and Information Technology's 2025 AI Medical Device Innovation Task Unveiling List.



ESG Governance

ESG GOVERNANCE

Statement from the Board of Directors

The Board of Directors continues to closely oversee the Company's ESG performance, regularly reviewing ESG-related policies, risk assessment reports, and performance data to ensure that ESG initiatives advance in step with business objectives. At the policy and strategy level, the Board of Directors has led the establishment of an end-to-end mechanism covering risk identification, priority assessment, and dynamic management. Taking into account industry characteristics and the Company's business footprint, it has identified key ESG risks and opportunities in areas such as carbon emissions from production, supply chain management, and product quality and safety, and established a cross-departmental dynamic management system to keep risks under control and ensure opportunities are effectively captured.

The Board of Directors of Beijing Chunlizhengda Medical Instruments Co., Ltd. fully recognizes the core value of environmental, social and governance (ESG) to the Company's long-term, steady operations, places great emphasis on Sustainable Development management, and has established a highly effective Sustainable Development governance mechanism. As the highest oversight body for ESG matters, it coordinates overall ESG governance through the Board Office to ensure that Sustainable Development is closely aligned with the Company's business objectives, thereby achieving the systematic integration of ESG management and corporate governance.

Chunli Medical upholds the core principles of 'strategic guidance, multi-stakeholder collaboration, and business integration,' fully embedding the concept of Sustainable Development throughout every stage of its daily operations. By building a multi-level governance system with strong execution, we drive the coordinated growth of business value alongside environmental and social value.

In managing important matters, the Company first establishes timely and transparent communication and response channels with various Stakeholders to identify their core concerns, and regularly assesses key issues to provide a solid basis for strategy development. The Board Office then reviews the results of key issue identification, selects the core issues, sets priorities, and allocates dedicated resources in a sound and strategic manner, driving close alignment between these priorities and the Company's overall strategy. Through a three-tier execution system, the Company ensures the full implementation of all matters and the deep integration of strategy with day-to-day operations.

At the same time, the Board of Directors and the Board Office have established a regular target management mechanism to periodically review the Company's Sustainable Development strategy, goals, and risk management status, assess progress toward its Sustainable Development goals, and actively explore innovative models for deeply integrating Sustainable Development with the Company's business. A dedicated cross-departmental task force has been established to regularly report progress to the Board Office.

All sustainable development goals are closely aligned with critical stages of the Company's core business, including production, the supply chain, and products and services. Through closed-loop, end-to-end management and dynamic tracking, the Company ensures that its Sustainable Development investments are effectively translated into core competitiveness. In addition, the Board of Directors is deeply involved in assessing Sustainable Development-related risks and opportunities, oversees the effective operation of the Company's risk management and internal control systems, and lays a solid foundation for the Company's long-term, steady development.

ESG GOVERNANCE STRUCTURE

As a company specializing in the R&D, manufacturing, and sales of implantable orthopedic medical devices, Chunli Medical has consistently integrated the principles of Environment, Social, and Governance into its corporate development strategy, establishing a three-tier ESG governance structure comprising the Board of Directors, the Strategy Committee, and the ESG Governance Working Group, with clearly defined responsibilities, efficient operations, and comprehensive coverage. The Company has clarified the core responsibilities, collaboration mechanisms, and implementation pathways at each level to ensure ESG initiatives are advanced in an orderly manner and deliver tangible results, while balancing the Company's long-term development with the creation of social value and supporting the Sustainable Development of the medical industry.

(I) Board of Directors: The highest decision-making and oversight body for ESG governance

As the highest decision-making body for ESG governance at Chunli Medical, the Board of Directors bears ultimate responsibility for the Company's ESG work, takes the lead in setting the direction and overall framework of the ESG Strategy, and ensures that ESG efforts remain aligned with the Company's development strategy, regulatory requirements, and Stakeholders' expectations. Its core responsibilities include not only approving the ESG Strategy, annual work objectives, and major policies and institutional frameworks, but also routinely overseeing the overall progress of ESG implementation, deliberating and deciding on major ESG matters, and conducting the final assessment and control of ESG-related risks.

(II) Strategy Committee: The central hub for coordinating and advancing the ESG Strategy

As a specialized committee under the Board of Directors, the Strategy Committee serves as the core link between the Board of Directors and the ESG Governance Working Group, performing the key functions of refining the ESG Strategy, coordinating work, and overseeing the process. Leveraging its professional expertise, the Strategy Committee is responsible for translating the overall ESG Strategy approved by the Board of Directors into actionable, measurable phased objectives and implementation plans, while clarifying the boundaries of ESG roles and responsibilities across each business segment and subsidiary.

In its day-to-day operations, the Strategy Committee is responsible for guiding the ESG Governance Working Group in carrying out specific tasks, regularly reviewing progress reports on ESG work, examining difficult issues and major matters arising in the course of advancing ESG initiatives, and proposing solutions to ensure that the ESG Strategy is implemented as intended. At the same time, the Strategy Committee closely monitors ESG development trends in the industry, updates to regulatory policies, and changes in Stakeholders' needs. In light of the characteristics of the healthcare industry and the Company's actual business operations, it dynamically optimizes ESG strategic planning and annual targets, promotes the deep integration of ESG governance into core business areas such as R&D innovation, production and operations, and quality management, and incorporates requirements such as green production, patient rights protection, and Supply Chain ESG Management into key strategic priorities, thereby providing professional support for the Board of Directors' ESG decision-making.

(III) ESG Governance Working Group: the platform for the day-to-day execution and implementation of ESG work

As the dedicated execution body for ESG work, the ESG Governance Working Group is composed of key personnel from the Company's various business departments (R&D, production, procurement, sales, quality, administration, etc.) and its subsidiaries. All members have extensive business experience and ESG-related awareness, ensuring that ESG work is embedded in every aspect of the Company's operations. Under the guidance of the Board of Directors, the Strategy Committee, and the Board Office, the working group is fully responsible for the execution, implementation, and review of day-to-day ESG work, establishing an end-to-end working system covering goal decomposition, process advancement, data collection, risk screening, and review and optimization.

Its specific responsibilities span multiple dimensions: first, breaking down targets and assigning accountability by further cascading the phased ESG targets set by the Strategy Committee to each department and position, clarifying ESG responsibilities and performance assessment standards for every role, and creating a working framework in which everyone is accountable and responsibilities are implemented at every level; Second, conducting routine data collection and report preparation by collecting and organizing the Company's ESG-related data, including environmental emissions, energy consumption, employee rights and interests, and charitable donations, ensuring the data is authentic, accurate, and complete, and providing support for the preparation of the annual ESG report, internal reviews, and external disclosures, such as precisely tracking key data including waste emissions and energy consumption during the production process; Third, advancing projects and translating them into practical action: leading the implementation of various ESG initiatives, including green production upgrades, employee care programs, charitable donations, and Supply Chain ESG Management. Examples include upgrading dust-removal equipment in production workshops, providing ESG training for employees, and participating in donations to disaster-affected areas and rural assistance projects. In 2023, the Company donated flood-control, disaster-relief, and epidemic-prevention supplies worth more than RMB100,000 to disaster-affected areas in Beijing and Hebei, donated RMB30,000 to the Social Assistance Comprehensive Service Center of Ongniud Banner, Chifeng, Inner Mongolia for the purchase of dairy product processing equipment, and in 2024 donated an additional RMB52,400 to the same center to continue the assistance program; Fourth, risk screening, prevention, and control: conduct regular ESG-related risk assessments, with a focus on potential risks in areas such as environmental compliance, product quality, employee rights and interests, and supply chain responsibility; establish a risk register; promptly formulate and implement prevention and control measures to ensure ESG work is carried out in a compliant and orderly manner; Fifth, internal and external communication and coordination: liaise with internal departments and subsidiaries, coordinate and resolve cross-departmental collaboration issues arising in the advancement of ESG work, and engage with regulatory authorities, industry associations, and Stakeholders; promptly communicate the progress of the Company's ESG practices, listen to reasonable concerns, and continuously optimize ESG work.

(IV) Climate Risk Management Task Force: a dedicated task force for climate change response

Taking into account the production and operational characteristics of the medical device industry and global climate change trends, Chunli Medical places great importance on Climate Risk Management. Under the ESG Governance Working Group, it has established the climate risk management Task Force as a dedicated task force for climate change-related work, further refining Climate Risk Management responsibilities, enhancing its capacity to respond to climate change, and putting the green development philosophy into practice.

The Task Force is composed of the heads of multiple core departments, including R&D, production, procurement, finance, and administration, enabling comprehensive integration of Climate Risk Management across all business functions and ensuring there are no blind spots in climate risk identification and that response measures are effectively actionable. Its core responsibilities include: first, implementing the various decisions and arrangements of the ESG Governance Working Group on climate change response, and, in light of the Company's actual production and operating conditions, formulating the annual work plan for climate risk management and emergency response plans; Second, coordinating the day-to-day identification, assessment, and response to Climate Risk, with a focus on climate-related risks in areas such as energy consumption, greenhouse gas emissions, and waste treatment during the production process; establishing a climate risk assessment indicator system; conducting regular climate risk screening and assessments; identifying potential risk points and developing targeted response measures, such as optimizing production processes to reduce carbon emissions, promoting the use of renewable energy, and standardizing the recycling and disposal of hazardous waste; Third, advance the implementation of green and low-carbon practices by taking the lead in carrying out special initiatives for energy saving, consumption reduction, emissions reduction, and carbon reduction, such as installing energy-saving facilities including solar power generation equipment at production bases, and setting medium- and long-term reduction targets for carbon dioxide emissions, water consumption, electricity consumption, and other indicators; Fourth, regularly report work progress and strictly implement the mechanism of reporting Climate Risk Management work to the ESG Governance Working Group on a quarterly basis, including risk screening results, the implementation status of response measures, and the effectiveness of green and low-carbon practices, to ensure that the ESG Governance Working Group and the Board of Directors can promptly stay informed of Climate Risk Management developments, adjust work priorities based on actual circumstances, promote the Company's green Sustainable Development, and support the achievement of the 'carbon neutrality' goal.

In summary, the three-tier ESG governance structure of Chunli Medical has created a closed-loop management system featuring "decision-making by the Board of Directors, overall coordination by the Strategy Committee, execution by the working group, and focused action by special task groups". This structure clearly defines the responsibilities, authority, and division of work at each level, enabling deep integration of ESG governance with the Company's operations and strategic development. Looking ahead, the Company will continue to refine its ESG governance structure, optimize its operating mechanisms, strengthen the implementation of ESG practices, and continuously enhance its ESG management capabilities. It will fulfill its corporate social responsibilities, create greater value for shareholders and society, and promote the high-quality development of ESG initiatives in the medical industry.

ESG OVERSIGHT

To ensure timely, accurate, and complete information flows across all levels of the governance structure, the Company has established a tiered, diversified internal ESG reporting mechanism with a fixed reporting frequency. The ESG Governance Working Group takes the lead, with all business departments working in close coordination to review each quarter the progress of key ESG initiatives, indicator achievement, and issue remediation, and to compile standardized reports for submission to the Strategy Committee and the Board Office. In addition, management submits a dedicated ESG report to the Board of Directors every six months in conjunction with the semiannual business review. At the same time, the Company holds a dedicated reporting meeting each year in connection with the preparation of its annual ESG report to review the year's work, analyze performance data, and present the annual plan, while providing a full disclosure of its sustainable development performance through the formal annual ESG report, which serves as a core basis for decision-making by the Board of Directors.

The Board of Directors leads the establishment of a full-process, multi-level, and tightly closed-loop ESG oversight system, coordinating all levels of governance and the internal audit system to maintain routine oversight of implementation progress by reviewing the ESG Strategy and targets, regularly assessing related risks, and examining periodic reports. ESG performance is incorporated into the operational evaluation system and directly linked to incentive mechanisms to ensure the transparent disclosure of ESG information.

The Strategy Committee closely monitors the key aspects of strategy execution, coordinates cross-departmental resources to address implementation challenges, and submits oversight opinions and optimization recommendations to the Board of Directors. Internal audit incorporates ESG work into the annual plan, creating a closed-loop management system of "supervision-audit-rectification-optimization". The ESG Governance Working Group tracks each department's progress against the annual targets, urges corrective actions and reports relevant updates in a timely manner, thereby fully ensuring the implementation of the ESG Strategy and the achievement of targets on schedule.

ESG WORK SUPPORT

To ensure the professional capability and competence of personnel at all levels of ESG governance, the Company has taken measures in two areas—"talent recruitment and selection" and "systematic training"—to provide strong talent support for the effective operation of the ESG governance system.

The Company places great importance on the selection and appointment of professional talent in the ESG field, with the General Manager taking the lead in core ESG-related governance positions and providing high-level professional support. The Board of Directors appoints independent directors with expertise in environmental science, social governance, and other relevant fields to strengthen decision-making on key issues. The ESG Governance Working Group is staffed with key personnel with backgrounds in environmental engineering and other disciplines. Selected from various business departments, these individuals form an execution team that integrates multiple areas of expertise and collaborates across functions.

Led by the Board Office, the Company formulates and implements a regular, diversified, and targeted training plan for the ESG Governance Working Group, and organizes employees to participate in specialized ESG training offered by the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and third-party institutions, with in-depth interpretation of relevant regulations and report preparation standards. Establish a cross-departmental communication and learning mechanism, share best practices for integrating ESG into business operations, and foster a positive culture in which "everyone understands ESG and everyone practices ESG".

Stakeholder Communication

The Company upholds its commitment to Sustainable Development, builds close, long-term cooperative relationships with all Stakeholders, actively improves diverse communication and participation mechanisms, continuously strengthens its ESG management capabilities, and ultimately creates long-term shared value for all partners.

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Customers are important Stakeholders of the Company, and the main communication channels include customer satisfaction surveys, site visits, and email communication. Their core concerns focus on product quality, pricing, and delivery timelines. In response to customer needs, the Company has taken measures such as implementing customer property control procedures and improving after-sales service to protect customers' rights and interests.

With respect to suppliers, the Company communicates with them through channels such as on-site audits, online assessments, and email. Suppliers are primarily concerned with supply chain management, business stability, and pricing-related matters. The Company has established a supplier onboarding system and conducts regular assessments and evaluations to standardize supplier management and maintain supply chain stability.

As the core driving force behind the Company's development, employees engage through channels including departmental meetings, annual review meetings, and team-building activities. Employees are most concerned about their own health and safety, training and development, and labor and human rights. In response to employee needs, the Company has established an employee representative congress, created employee health records, organized cultural and recreational activities such as fun sports events and an employee birthday celebration month, provided nutritionally balanced meals, and developed a job qualification management system to support employee growth and protect their rights and interests.

The primary channels for communication with shareholders and investors are shareholders' meetings and annual financial reports, with their main focus being the Company's development in the circular economy and technological innovation. By improving its corporate governance structure, strengthening the governance framework of the shareholders' meeting, board of directors, and board of supervisors, implementing a proactive profit distribution policy, and establishing diverse investor communication mechanisms, the Company safeguards the lawful rights and interests of shareholders and investors while conveying confidence in its development.

Government and regulatory authorities primarily communicate with the Company through audits and reviews, focusing on product quality and safety as well as corruption. The Company strictly complies with relevant regulatory requirements and is subject to oversight by the medical products administration, the ISO 13485 certification system (for medical device companies), and the commerce, industry, and tax authorities, ensuring compliant operations.

The Company mainly communicates with communities and the public through open day events, with their concerns focused on waste emissions and green products. The Company actively embraces the principles of green development, advances green R&D and design, adopts environmentally friendly packaging, and establishes recycling mechanisms to meet the environmental expectations of communities and the public.

Communication channels with research institutions include participation in exhibitions and project collaboration, with a core focus on innovative R&D. The Company has established partnerships with multiple universities to carry out incubation, product testing, and other related work. At the same time, it collaborates with public institutions and faculty from university-affiliated hospitals to participate in medical device conferences and exhibitions, advancing product improvement, COA research projects, and hospital collaboration, thereby supporting technological innovation and product upgrades.

Material Topics

The Company drew on relevant standards issued by the International Organization for Standardization (ISO), industry Sustainable Development initiatives, and the practical experience of leading companies in the industry, while fully incorporating feedback from Stakeholders. Centered on the three dimensions of environmental, social, and governance issues, it identified core topics covering key areas such as ecological and environmental protection, protection of Stakeholders' rights and interests, and sound corporate governance, ultimately forming an initial list of ESG topics. During the issue identification stage, the Company used a variety of methods, including questionnaires, targeted interviews, analysis of industry research reports, and compliance risk screening, to ensure comprehensive and relevant issue coverage.

The Company adopts a double materiality assessment framework comprising impact materiality and financial materiality assessments, and conducts a comprehensive evaluation of issues using both quantitative and qualitative analysis methods. During the assessment process, the Company used impact materiality scores and financial materiality scores to build a two-dimensional materiality matrix, classifying issues into two categories—high-materiality issues and medium-materiality issues—and producing preliminary classification results.

Once the preliminary grading results are available, the ESG Governance Working Group takes the lead in forming a review team together with the finance department and key personnel from the business departments to cross-check the assessment logic, supporting data, and reasonableness of the scoring for the preliminary grading results, and to make adjustments and optimizations in light of industry trends and the Company's strategic plans.

The reviewed assessment results formally take effect upon submission for approval and approval being granted. The confirmation process fully ensures that the assessment conclusions are aligned with the Company's overall strategic objectives and sustainable development plans, ensuring that material topics become the core priorities of the Company's ESG efforts.

Scope	Material Topics		Impact Materiality (Most Important/ Important/Relevant)	Financial Materiality (Most Important/ Important/Relevant)
Governance	1	Anti-corruption and Bribery	Most Important	Most Important
	2	Risk Management	Important	Most Important
	3	Fair Competition	Relevant	Important
Environment	4	Environmental Management	Most Important	Important
	5	Energy Management	Important	Important
	6	Climate Change Response	Most Important	Important
	7	Water Resource Management	Important	Relevant
	8	Waste Disposal	Important	Relevant
	9	Pollutant Discharge	Important	Relevant
	10	Biodiversity	Relevant	Relevant
Social	11	Employee Rights	Most Important	Important
	12	Technological Innovation	Most Important	Most Important
	13	Product Quality and Safety	Most Important	Most Important
	14	Social Contribution	Most Important	Relevant
	15	Rural Revitalization	Important	Relevant
	16	Equal Treatment of Small and Medium-Sized Enterprises	Relevant	Important
	17	Circular Economy	Important	Important
	18	Employee Training and Development	Important	Important
	19	Occupational Health and Safety	Most Important	Most Important
	20	Information Security	Most Important	Important
	21	Sustainable Supply Chain	Most Important	Important

Governance: Standardized Operation, Transparency and Integrity

ANTI-CORRUPTION AND BRIBERY

To comply with the requirements of laws and regulations such as the Code of Corporate Governance for Listed Companies and the Anti-Unfair Competition Law of the People's Republic of China, and to implement ESG governance-related disclosure requirements, the Company has further improved its dedicated policies on the prevention of bribery, extortion, fraud and money laundering, on the basis of its existing Employee Handbook, the inclusion of special anti-corruption and anti-commercial bribery clauses in supplier cooperation agreements, and the establishment of a compliant, transparent, clean and integrity-based supply chain management system and organizational structure management system. It regularly conducts identification and assessment of commercial bribery and corruption risks, reviews potential risk points in high-risk areas such as procurement, sales, marketing, bidding and tendering, and partner management, defines control measures, updates control procedures, and establishes a closed-loop management model to ensure that all employees strictly comply with laws and regulations that have a significant impact on the Company, thereby safeguarding the lawful rights and interests of the Company, its shareholders, and its employees. To strengthen the Company's governance and internal controls, regulate employees' professional conduct, foster a culture of integrity, diligence, lawfulness, and dedication, and prevent conduct that harms the interests of the Company, shareholders, and employees. At the same time, in the course of business cooperation, the Company also requires suppliers, distributors, and other partners, through contractual clauses and other means, to commit to complying with the Company's anti-Commercial Bribery standards, jointly fostering a clean and transparent supply chain ecosystem.

To ensure that reports of violations are handled promptly and effectively, the Company has established an independent and confidential reporting and investigation mechanism:

Multi-channel reporting: The Company has established and publicized a dedicated reporting email address, hotline, and mailing address to ensure that relevant internal and external parties, including employees, customers, and suppliers, can report issues through convenient channels.

Independent investigation: Reports are handled directly by the Company's Administration Department, ensuring that investigations remain independent of the business department being reported and free from any improper interference.

Strict confidentiality and anti-retaliation: The Company is committed to strictly protecting the confidentiality of whistleblowers' identities and strictly prohibits any form of retaliation. This principle is clearly set out in the Employee Handbook and is a mandatory part of employee compliance training, ensuring that reporting channels are truly accessible and trustworthy.

The Company integrates anti-corruption education throughout every employee's career development cycle and implements a comprehensive training system: it communicates the anti-corruption clauses and relevant provisions under the Employee Handbook to new employees through onboarding communication, policy dissemination and briefing and other ways. At the same time, the Company conducts annual compliance refresher training for all departments and uses typical industry cases for warning and awareness education, strengthening employees' ability to identify, prevent, and reject commercial bribery in their daily work.

During the reporting period, the Company continued to strengthen its internal oversight mechanisms and, based on risk assessment results, implemented targeted prevention and control measures. Integrity risks in key areas were effectively managed, and there were no litigation cases involving corruption, bribery, fraud, or money laundering, nor were there any substantiated reports of major violations against the Group or its employees. Going forward, the Company will continue to uphold the philosophy of 'treating resources as if they were its own and pursuing continuous innovation,' conduct ongoing dynamic assessments of Commercial Bribery and corruption risks, regularly review and optimize its anti-fraud and compliance management mechanisms, continuously enhance governance transparency, and earnestly fulfill its responsibilities to investors, customers, and society.

FAIR COMPETITION

The Company strictly upholds business ethics and integrates compliance principles into its management and operations. At the same time, it strictly complies with relevant national laws and regulations, follows securities regulations such as the Self-Regulatory Guidelines No. 5 for Listed Companies of the Shanghai Stock Exchange—Transactions and Related-Party Transactions (March 2025 Revision), the STAR Market Stock Listing Rules of the Shanghai Stock Exchange (April 2025 Revision), and the Anti-Unfair Competition Law of the People's Republic of China, and has established and improved a management system for preventing unfair competition, expressly prohibiting commercial bribery, false advertising, misleading conduct, infringement of trade secrets, illegal prize-based sales promotions, and online unfair competition. Integrate fair competition compliance requirements into key processes such as business project initiation, contract review, marketing and promotion, distributor management, and customer partnerships. Conduct ongoing compliance training, risk screening, and oversight and accountability measures to ensure that unfair competition risks are effectively prevented, controlled, and traceable. In accordance with relevant regulations, establish a corporate compliance management framework with clearly defined powers and responsibilities, thereby strengthening the foundation of the Company's risk response capabilities.

The Company is one of the leading players in the implantable orthopedic medical device industry. The Company strictly complies with medical device regulations, including the Regulations on the Supervision and Administration of Medical Devices, the Measures for the Supervision and Administration of Medical Device Operations, and the Measures for the Administration of Medical Device Recalls, and consistently conducts the R&D, registration, production, and sale of medical devices in accordance with applicable laws and regulations. During the reporting period, the Company was not involved in any litigation or arbitration arising from unfair competition, nor was it subject to any material administrative penalties for unfair competition.

RISK MANAGEMENT

The Company has deeply embedded ESG risk management into its overall development strategy, closely aligning it with the characteristics of the orthopedic medical device industry, the "dual carbon" goals, and regulatory requirements. Guided by the core principles of "compliance as the foundation, controllable risks, opportunity transformation, and value co-creation", it has developed a risk management plan that advances in a coordinated manner across the short, medium, and long term, ensuring close alignment with the Company's phased and long-term strategies of "innovation-driven breakthroughs, green transformation, and global leadership".

Cycle	Core Positioning	Strategic Planning	Resource Allocation
Short-term	Comprehensive risk identification and the establishment of a foundational prevention and control system, alongside pilot implementation of high-potential opportunities	Aligned with the phased strategy of 'Building Compliance Foundations, Driving Innovation Breakthroughs,' focusing on emergency risk response in core areas such as production operations and the supply chain, while accelerating pilot projects in areas such as photovoltaic energy and biodegradable materials	Priority investment in risk monitoring tool development, low-carbon technology pilots, and the enhancement of emergency response systems
Mid-term	Deepened systematic risk management and control, with scaled-up promotion of opportunities	Aligned with the strategy of "industrial upgrading and green transformation", strengthen full-lifecycle product risk management and collaborative ESG governance across the supply chain, and advance the industrialization of low-carbon technology and comprehensive green supply chain coverage	Focus on collaborative ESG-driven carbon reduction across the supply chain, the R&D and mass production of Biodegradable Materials, and the digital optimization of management systems
Long-term	Deeply integrate risk anticipation with value creation to establish an industry ESG benchmark	Support the long-term strategy of "global leadership and Sustainable Development", achieve deep integration of ESG risk with business development, product innovation, and ecosystem building, and lead the industry's sustainable development direction	Focusing on forward-looking risk warning, green ecosystem development, and cultivating an ESG innovation ecosystem

Governance: Standardized Operation, Transparency and Integrity

Drawing on ISO standards, industry Sustainable Development initiatives, and peer practices, the Company systematically identified risks and opportunities related to sustainable development and defined the time horizons of their material impacts.

Category	Content	Time Horizon of Material Impact	Likelihood	Impact Severity	Impact Pathway
Physical Risks	Extreme Rainfall	Short-term	Medium	High	Disrupts production continuity, resulting in asset losses and reduced production capacity
	Prolonged High Temperatures	Short to Medium Term	High	Medium	Increases operating costs and affects production efficiency and employee safety
	Water scarcity	Mid-term	Medium	High	Constraining capacity expansion and affecting continuity across the entire orthopedic implant production process
Transition risks	Tightening carbon reduction policies	Short to Medium Term	High	High	Increasing investment in and operating costs for environmental facilities, thereby affecting profit margins
	Upgraded green procurement standards	Short to Medium Term	High	Medium	Increasing supplier screening and management costs, potentially leading to adjustments in the supply chain for core materials
	Pressure to replace existing technologies with low-carbon technology	Medium to long term	Medium	High	Affecting the market competitiveness of traditional products and driving technological upgrades and product innovation
Sustainable Development opportunities	Photovoltaic energy substitution	Short to Medium Term	High	High	Reducing electricity procurement expenses, aligning with the 'dual carbon' goals, and enhancing customer willingness to cooperate
	R&D of biodegradable implant materials	Mid-term	Medium	High	Build differentiated product advantages, expand into the high-end medical market, and establish technological barriers
	Green supply chain development	Short-, medium-, and long-term	High	High	Optimize the supply chain cost structure, reduce compliance risks, and strengthen collaboration with core suppliers

Governance: Standardized Operation, Transparency and Integrity

To ensure the effective implementation of its ESG management system, the Company has established a three-tier governance structure of "the Board of Directors providing overall decision-making, the ESG Working Committee coordinating advancement, and each department executing implementation", supported by core policies including the Environmental Management System Documentation and the Product Quality and Safety Management System. It has also clearly defined specific quantitative and qualitative targets for 2025 across five key areas: climate management, product innovation, supply chain sustainability, employee development, and community contribution. Key measures implemented to date include the construction of rainwater collection systems, the gradual phase-out of energy-intensive equipment, and the research and development of biodegradable magnesium alloy prosthetic materials, with the aim of addressing climate risk and seizing transition opportunities; At the same time, systematic emergency response and remediation plans have been developed for contingencies such as product recalls and supply chain disruptions. All measures are currently progressing as planned and have already delivered phased results.

To proactively address transition risks such as increasingly stringent carbon reduction policies, the Company continues to increase its investment in carbon reduction compliance, focusing on the renewal and replacement of energy-saving equipment, the enhancement and upgrading of environmental facilities, and the phase-out of energy-intensive equipment, thereby laying a solid foundation for the Company's comprehensive green and low-carbon transition. In response to physical climate risk such as extreme rainfall, the Company had already completed disaster prevention projects, including flood control facilities, in the earlier stage, and its risk prevention and control system has been operating effectively. During the reporting period, no material asset losses were incurred, nor were any additional emergency response expenditures required, demonstrating significant results in risk management and control. During the reporting period, the Company firmly seized the strategic opportunities presented by sustainable development and advanced the multidimensional conversion of ESG value, with ESG-related opportunities making a positive contribution to current-period cash flows. Based on a comprehensive assessment, ESG-related risks and opportunities will not have a material impact on the Company's financial position for fiscal year 2026. The Company focuses on water resource recycling system development, green supply chain development, and low-carbon technology R&D, among other areas, and the related investment will not have a material impact on its overall profitability. As sustainable development initiatives continue to be implemented in depth, the Company is expected to achieve growth across multiple dimensions of performance, further optimize its cash flow structure, continuously enhance its overall profitability and risk resilience, and provide solid support for high-quality development.

ENVIRONMENT: GREEN AND LOW-CARBON, CIRCULAR DEVELOPMENT

Environmental Management

The Company attaches great importance to environmental protection. The administrative office has established a dedicated environmental protection team responsible for this work and has built a professional team of environmental protection specialists. In line with the principles of cleaner production, the Company has established a series of environmental protection systems, including the Hazardous Waste Management System, the Environmental Protection Management System for Production Processes, the Environmental Facilities Maintenance and Management System, and the Environmental Monitoring Management System. It has also designed and built efficient, energy-saving, low-consumption production facilities and treatment facilities for the "three wastes", ensuring that pollutants generated during the production process are discharged in compliance with relevant national and local emission standards.

The Company's main production processes include primary processing, precision processing, labeling, cleaning, packaging, disinfection, and quality inspection. There are no high-risk or heavily polluting operations, although small amounts of waste gas, particulate matter, wastewater, waste oil, waste liquids, noise, and solid waste are generated.

The particulate matter generated during the Company's production process mainly consists of dust. Dust generated during processing is collected by bag filters and dust treatment equipment before being discharged.

Waste gas generated during the Company's production process is treated in a tail gas absorption tower and discharged after meeting the applicable standards.

The wastewater generated during the Company's production process mainly consists of ultrasonic cleaning wastewater and domestic sewage. After being treated to meet the applicable standards by the biological contact oxidation facilities at the Company's wastewater treatment station, the cleaning wastewater and domestic sewage are conveyed through the municipal sewer network to the local wastewater treatment plant for further treatment.

The waste oil and waste liquid generated by the Company mainly include cutting oil, hydraulic oil, and similar substances produced during the machining process. Waste oil and waste liquids are collected centrally by designated personnel and entrusted to companies with the relevant professional qualifications for disposal.

The Company's noise is mainly generated by equipment such as slitting lathes and machining centers. All of the above equipment is located within the production workshop and is fitted with vibration-damping pads, while the workshop itself uses building sound insulation and other noise-reduction measures.

The solid waste generated by the Company mainly includes scrap metal offcuts, waste titanium chips, and iron filings. After collection, the Company entrusted locally qualified professional companies to dispose such wastes.

Environment: Green and Low-Carbon, Circular Development

The Company actively promotes water conservation initiatives. Water is the source of life and an essential resource for both production and daily living. The Company has consistently placed great importance on protecting water resources, conserving water, and treating, recycling, and reusing wastewater. For wastewater treatment, the Company has established a wastewater treatment station, where production and domestic wastewater undergo filtration and sedimentation to ensure that discharge meets and exceeds national standards. Each year, the Company engages qualified professionals to maintain its wastewater treatment equipment, ensuring the quality of water treatment. In 2025, wastewater generated and treated from production totaled 9,691.36 tons, total water consumption was 15,700.00 tons, and water consumption per RMB10,000 of sales revenue was 0.15 tons.

The Company has consistently upheld its commitment to energy conservation. At the Company's second production base in Tongzhou, a ground-source heat pump air-conditioning system was installed. When operating, the ground-source heat pump units neither consume nor pollute water, require no boilers or cooling towers, and need no space for storing fuel waste, offering significant energy-saving and environmental benefits. The Company's new production base in Daxing has installed a large number of solar power generation facilities, achieving clear energy-saving results. In addition, in 2025, the Company used 92.9 tons of titanium alloy, 94.71 tons of cobalt-chromium-molybdenum alloy, 38.24 tons of polyethylene, and 95.32 tons of stainless steel, with electricity consumption totaling 7.1548 million kilowatt-hours.

In 2025, packaging materials used included 104.33 tons of cartons, 65.8 tons of product packaging boxes, 23.6 tons of plastic film, 1.85 kg of packaging materials consumed per RMB10,000 of sales revenue, and 15.6 tons of other materials.

In July 2025, to strengthen the safety management of highly toxic reagents, strictly prevent incidents such as loss, theft, and robbery, and ensure timely and effective emergency response in the event of an emergency, relevant emergency drill plans were formulated and drills were carried out. The drills improved the ability of relevant personnel to respond to emergency situations. The drill process was carried out smoothly, and the exercise was a complete success.

COMPANY ENVIRONMENTAL ASPECTS IDENTIFICATION FORM

Risk Level	Risk Point	Risk Discription
High risks	Risk of leakage during storage of hazardous chemicals	Leakage of hazardous chemicals such as laboratory reagents during storage, which may cause pollution to soil and water bodies, etc
	Risk of leakage of laboratory waste liquid	Leakage of waste liquid generated by the laboratory during storage and transfer, which may cause environmental pollution
	Risk of leakage during transfer of hazardous waste	Leakage of hazardous waste during in-plant transfer or external entrusted transfer, resulting in pollution to the surrounding environment
Medium risks	Risk of dust escape in production workshops	Dust escape generated during operations in workshops, which causes impacts on air quality and employees' health
	Risk of excessive energy consumption caused by malfunction of energy-saving equipment	Equipment malfunction leads to energy consumption loss in production and office activities, which fails to meet the requirements of green operations
	Risk of transportation of hazardous chemicals	Traffic accidents and other factors during the procurement and transportation of hazardous chemicals, which cause(s) environmental pollution
	Risk of environmental compliance of suppliers	Substandard environmental management of upstream suppliers, which affects the environmental compliance of the Company's supply chain
	Risk of noise exceedance	Noise generated by the operation of production equipment, ventilation systems and other facilities exceeds the national standards, which affects the surrounding environment
	Risk of improper classification of solid waste	General industrial solid waste, domestic waste and other wastes are not managed and classified in accordance with regulations, resulting in pollution to the surrounding environment
Low risks	Risk of abnormal discharge of domestic sewage in office areas	Abnormal discharge indicators of domestic sewage in office areas, with no major pollution caused
	Risk of pollution from disposal of a small amount of laboratory	A small amount of discarded laboratory consumables are not disposed of in accordance with requirements, resulting in a slight impact on the environment
	Risk of noise disturbance in non-production areas	Noise from non-production areas (such as office areas) causes disturbance, which does not exceed standards and has a limited scope of impact

ENERGY MANAGEMENT

Energy and Resource Management

As a core manufacturer of orthopedic medical devices, the Company strictly follows the energy and resource management disclosure requirements set out in Appendix C2, Environmental, Social and Governance Reporting Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as the SSE STAR Market Self-Regulatory Guideline No. 1—Standardized Operation. Drawing extensively on the advanced practices of Weigao Group in end-to-end resource control, energy efficiency enhancement, and compliance management, it has established an integrated energy and resource management system centered on institutional prioritization, technology enablement, precise control, and recycling. Built on the ISO 14001 environmental management system and the GB/T 23331 energy management system, the Company incorporates energy and resource efficiency indicators into its core performance evaluation framework, advances the integration of green production with sustainable operations, and effectively reduces the environmental impact of its production and operations.

Energy Consumption Control and Energy Efficiency Improvement

In 2025, the Company focused on electricity and fuel, its two core energy categories. Through structural optimization, equipment upgrades, and refined management, it improved energy efficiency and achieved a steady decline in carbon emissions intensity. All consumption data are traceable and verifiable, fully meeting regulatory disclosure requirements for materiality and consistency.

In terms of electricity consumption, total annual electricity use was 7.15483 million kilowatt-hours, with electricity consumption of 68.41 kilowatt-hours per RMB10,000 of sales revenue, mainly for the operation of orthopedic implant production equipment, R&D testing platforms, and lighting in office areas. At the same time, the Company carried out energy-saving upgrades across the entire plant, fully rolling out LED energy-efficient lighting equipment and supporting sound-activated control systems in office and production areas. The Company's Daxing campus and other sites use solar street lights, saving 18,396 kilowatt-hours of electricity annually. Through this series of measures, cumulative annual electricity savings reached 357,000 kilowatt-hours, and electricity consumption per unit of output value decreased by 4.8% compared with 2024, demonstrating significant improvements in energy efficiency.

In terms of fuel consumption, the Company strictly controls the energy use of vehicles for official and production-related transportation. In 2025, total gasoline consumption by vehicles amounted to 38,860 liters. To reduce fuel consumption and exhaust emissions, the Company has established a full life-cycle vehicle management system, prioritizing the procurement of new energy vehicles for short-distance official travel and raw material transportation. In 2025, the proportion of new energy vehicles increased to 25%. At the same time, the Company introduced incentives for green travel, optimized transportation route planning, and regularly conducted vehicle maintenance and energy-saving training for drivers to standardize driving behavior, reducing fuel consumption per unit of transport mileage by 6.2% and achieving both more efficient fuel use and lower environmental impact.

Guided by the overarching principle of "energy conservation and carbon reduction, quality and efficiency improvement, and green and low-carbon development", the Company has clearly set a target of reducing comprehensive energy consumption per unit of output value by more than 3% in 2026 compared with 2025, striving to reach the advanced level of the medical device industry.

The Company has broken down its annual targets for reducing energy consumption, improving energy efficiency, and increasing renewable energy utilization across all departments and workshops, strengthened accountability at every level, and established an energy-saving management framework featuring "implementation at every level and participation by all employees". The Company will continue to increase investment in energy-saving technologies and equipment such as high-efficiency motors, variable-frequency control, waste heat recovery, and smart control systems, and will upgrade and carry out intelligent retrofits of high-energy-consuming equipment to reduce energy consumption at the source. At the same time, we steadily expanded the use of renewable energy such as solar power, continued to increase the number and utilization rate of new energy vehicles, and accelerated the transition of energy consumption toward "cleaner, low-carbon, and more efficient" development.

CLIMATE CHANGE RESPONSE

Chunli Medical places great importance on the challenges posed by climate change and actively responds to the national strategy of "peaking carbon emissions by 2030 and achieving carbon neutrality by 2060". We systematically identify and assess climate-related risks and opportunities, proactively implement response measures, effectively mitigate the potential impact of climate change on the Company, and make every effort to advance the low-carbon transition, contributing to global climate action.

I. Governance

1.1 Climate-related governance bodies and the professional skills and capabilities of relevant personnel

The Company has established the Climate Risk Management Task Force as the executive body of the ESG Governance Working Group, with members including the heads of R&D, production, procurement, finance, administration, and other departments. The task force is responsible for implementing the decisions of the ESG Governance Working Group, coordinating the day-to-day identification, assessment, and response to climate risk, and reporting progress to the ESG Governance Working Group on a quarterly basis.

The task force's monitoring measures include: establishing a climate risk database and dynamically collecting meteorological data, policies and regulations, and supply chain information; A risk matrix is used to assess the impact and likelihood of the identified climate risk, and cross-departmental meetings are held regularly to coordinate the implementation of risk response measures. At the same time, the task force is closely integrated with the Company's existing risk management system to ensure that climate risk and other types of risks, such as market risk and operational risk, are prioritized and monitored under a unified framework. To ensure that task force members possess the necessary professional skills and capabilities, the Company regularly organizes climate governance training covering developments in international climate policy, carbon accounting methodologies, scenario analysis tools, and related topics.

When overseeing major transaction decisions and risk management procedures, the ESG Governance Working Group requires climate risk assessments to be incorporated into the feasibility studies of investment projects. For example, when approving new production base projects, a dedicated analysis report on Physical Climate Risk (such as floods and typhoons) and transition risks (such as carbon tax policies) must be submitted, along with the proposed response measures. The ESG Governance Working Group makes the final decision after weighing the financial returns and climate impacts of different options.

The ESG Governance Working Group obtains climate-related information through three channels—quarterly thematic briefings, reviews of annual risk assessment reports, and ad hoc on-site inspections—to ensure a comprehensive understanding of risk trends, progress on opportunities, and the status of target achievement. The working group conducts an independent annual review of progress toward climate-related targets and, in light of third-party assessment opinions as well as changes in the internal and external environment, revises the targets and response strategies.

Although the Company does not currently incorporate climate performance directly into its compensation system, it has already encouraged all departments to take proactive action in areas such as low-carbon technology R&D and energy-efficiency upgrades through special incentives, favorable project budget allocation, and promotion pathways. The Company will continue to evaluate the effectiveness of the above mechanisms and, based on the results, determine whether and how to incorporate climate indicators into its formal compensation policy in the future.

II. Strategy

2.1 Climate-related Risks and Opportunities

Based on its business characteristics, the Company has identified the following climate-related risks and opportunities that may affect cash flows, financing channels, or the cost of capital:

Types of Climate-related Risks and Opportunities			Time Horizon	Potential Impacts
Risks	Climate-related Physical Risks	Acute Physical Risks	Short-term	Frequent extreme weather events such as hurricanes and floods may disrupt daily operations or interrupt the supply chain, resulting in reduced production capacity
		Chronic Physical Risks	Long-term	Persistent high temperatures caused by climate change may lead to power supply disruptions or require more energy to maintain the necessary indoor temperature
	Climate-related transition risks	Policy and legal risks	Mid-term	Increasingly stringent climate change policies and regulatory requirements may increase the Company's operating costs
		Technology risks	Long-term	Existing energy-intensive production technologies (such as the high carbon emissions associated with forging and machining processes) may be rendered obsolete by low-carbon technology. Substantial R&D investment is required to upgrade production processes; otherwise, technological competitiveness will be lost
		Reputational risks	Mid-term	Investors, hospital procurement parties (especially in public hospital tenders), and end patients are increasingly inclined to choose 'green' companies. If the Company's ESG rating is low, it may affect the Company's reputation and investor decision-making
		Market Risk	Mid-term	Changes in raw material prices (such as energy and water) and emissions requirements (such as waste disposal) can increase production costs
Opportunities	Products and Services		Mid-term	Customers are increasingly inclined to choose high-quality, environmentally friendly products and services, and the Company's low-carbon progress will enhance the competitiveness of its products and services
	Resource Efficiency		Mid-term	By implementing measures such as design optimization, process improvements, and equipment upgrades, the efficiency of energy and water use can be improved, reducing costs and increasing efficiency
	Supply Chain Resilience		Mid-term	By localizing procurement and production, the supply chain can be shortened and carbon emissions from transportation reduced
	Energy		Long-term	Increase the share of low-emission or clean energy in use, gradually optimize the energy mix, and reduce the risks posed by future energy price increases

The Company's definitions of the short, medium, and long term are aligned with its strategic planning cycle: short term refers to 1–3 years, medium term to 3–5 years, and long term to more than 5 years. The above time frames were established with consideration of the Company's investment cycle, product R&D cycle, and asset useful life, ensuring an effective alignment between risk management and resource allocation.

2.2 Business Model and Value Chain

The impacts of climate-related risks and opportunities on the business model and value chain are mainly reflected in the following:

Supply chain: The prices of certain raw materials (such as metal bars and petrochemical-derived materials) are vulnerable to the impact of carbon costs, and extreme weather may affect suppliers' production and transportation. The Company has established a backup supplier network in the vicinity of its major production bases in Beijing, Hebei, and other locations.

Production stage: Among the Company's three major production bases (Tongzhou, Beijing; Daxing, Beijing; and Xingtai, Hebei), the Xingtai, Hebei plant is located on the North China Plain and is exposed to flood risk. The plant has raised its perimeter walls, installed drainage pumps, and purchased property insurance; At the same time, new facilities will be located in non-floodplain areas and will meet higher flood control standards.

Product R&D stage: Investment in the R&D of low-carbon products (such as biodegradable implants and 3D-printed customized products) is increasing year by year.

Logistics stage: Transportation relies on fossil fuels, and the resulting carbon emissions account for a relatively large share of Scope 3 emissions. The Company is working with third-party logistics providers to optimize transportation routes and promote new energy vehicles.

2.3 The impact of climate-related risks and opportunities on strategy and decision-making

To address Climate Risk and seize opportunities, the measures the Company has taken and plans to take include:

Changes to the business model: integrating low-carbon principles into the entire product life cycle and establishing green standards for every stage, from design, procurement, and production to recycling.

Adaptation and mitigation efforts:

Mitigation: implementing energy-saving technical upgrade projects, such as replacing LED lighting and applying variable-frequency motors; Expanding the deployment of solar streetlights, with photovoltaic power generation reaching 18,400 kWh in 2025; developing Biodegradable Materials to reduce the environmental impact of waste.

Adaptation: To address physical risks, establish emergency response plans for extreme weather and conduct two emergency drills annually; increase inventory levels of key raw materials to respond to supply chain disruptions.

The key assumptions of the transition plan include the continued decline in renewable energy costs, projected carbon prices, and the pace of technological advancement. The plan depends primarily on policy support, technological progress, and capital investment.

Path to achieving the targets: achieve the targets by improving energy efficiency, expanding the use of renewable energy, and advancing innovation in low-carbon technology.

The Company has integrated climate action into its annual business plan and budget management, with resource allocation following the principle of "guaranteed based on actual demand and dynamically adjusted". The funding allocation for each climate project (such as photovoltaic construction, energy-saving retrofitting and low-carbon R&D) is determined in tranches based on project maturity, technological progress and market conditions, and no fixed amount available for one-off disclosure has been finalized. The Company has established a climate project pipeline and funding guarantee mechanism to ensure that the resource requirements of key projects are prioritized and fully met. Going forward, the Company will disclose the actual investment status in its annual reports in accordance with the implementation progress of the projects. Over the next five years, the Company will continuously strengthen its R&D capabilities in low-carbon product segments including biodegradable biomedical materials, 3D-printed implants and porous tantalum materials, by means of setting up a special project for green technologies, expanding its low-carbon R&D team, and deepening industry-university-research cooperation.

2.4 Financial Position, Financial Performance and Cash Flows

In 2025, the special funds invested by the Company in photovoltaic construction and energy-efficiency retrofit projects were recorded under 'Cash Outflows from Investing Activities' in the cash flow statement. The capital expenditures incurred for upgrading flood-control facilities at the Xingtai plant in Hebei were recognized under "fixed assets" in the balance sheet, while the electricity cost savings achieved through energy-efficiency technical upgrade projects are indirectly reflected through a reduction in "operating costs".

Transition Risks	Rising carbon prices may push up the cost of energy procurement and carbon-intensive raw materials, increasing the burden of operating costs
	Increasingly stringent environmental regulations may lead to higher compliance costs, affecting administrative expenses.
Physical Risks	Spending on disaster prevention facilities and property insurance premiums associated with high-risk assets will continue to affect cash flows from investing activities and operating activities
Climate Opportunities	Investment in low-carbon product R&D will enhance the value of intangible assets, and future premium sales of new products may increase operating revenue and gross profit margins
	Cost savings resulting from improved energy efficiency will directly enhance profitability
	Localizing and optimizing the supply chain helps reduce transportation costs and supply disruption risks, thereby stabilizing operating profits.

The Company plans to complete the development of its internal financial impact assessment system by 2026, after which it will gradually conduct quantitative analysis and disclose relevant data.

2.5 Climate Resilience

The Company assesses climate resilience using a climate scenario analysis approach suited to its business scale, with reference to the IPCC RCP 2.6 (1.5°C warming limit) and RCP 8.5 (high-emissions) scenarios, while also taking into account the policy context of China's carbon peaking and carbon neutrality goals. The analysis covers two time horizons, 2030 and 2050, and includes all of the Company's production sites and core suppliers.

The analysis shows that under the RCP 2.6 scenario, carbon price expectations are relatively high, but renewable energy costs decline more rapidly; if the Company proactively transitions, it can remain competitive; Under the RCP 8.5 scenario, physical risks intensify, and some assets may be affected more frequently by extreme weather.

Major sources of uncertainty include: the strength of policy implementation, carbon pricing mechanisms, the pace of clean technology breakthroughs, and changes in consumer preferences.

The Company has a strong capacity to adjust its strategy: it has established a dynamic strategic adjustment mechanism, allowing it to update its climate scenario analysis results every two years and revise its medium- and long-term plans accordingly. For example, a 2025 analysis showed that flood risk at the Hebei plant had increased, and the Company has upgraded flood protection standards at its existing plants.

Note: The Company is currently in the early stages of establishing a climate-related financial impact assessment framework and does not yet fully have the internal skills, capabilities, and resources required to carry out detailed quantitative analysis. At this stage, we are prioritizing risk identification, data governance, and target setting.

III. Risk Management

3.1 Identification, Assessment, and Prioritization of Climate-Related Risks

The Company's climate risk management process includes:

Input data and parameters: historical disaster data from the national meteorological authority, the China carbon accounting database, industry decarbonization pathway research reports, and internal operational data. The process covers all of the Company's business units and major suppliers.

Application of climate scenario analysis: when identifying risks, the Company uses 1.5°C and 3°C warming scenarios to assess the likelihood and impact of risks under different pathways. For example, flood models are used to analyze the inundation depth at each plant site under extreme rainfall and identify high-risk areas.

Risk assessment methodology: A semi-quantitative risk matrix is used to score risks across two dimensions—financial impact (high/medium/low) and likelihood of occurrence (high/medium/low)—while also taking into account factors such as reputational impact and compliance requirements.

Risk prioritization: Climate risk is incorporated into the Company's overall risk landscape and prioritized in a unified manner alongside strategic and operational risks. The top three climate risks identified in 2025 were: rising carbon prices leading to higher costs (high impact, medium likelihood), extreme weather causing production disruptions (medium impact, medium likelihood), and changes in environmental regulations increasing the compliance burden (medium impact, low likelihood). Response measures have been incorporated into each department's annual work plans.

3.2 Identification and Management of Climate-Related Opportunities

The opportunity identification process runs in parallel with the risk management process. The main methods include tracking domestic and international policy and technology trends, conducting customer demand surveys, and benchmarking against industry best practices. The climate opportunities identified in 2025 are personalized 3D-printed implants (reducing material waste) and biodegradable magnesium alloy products (supporting the circular economy).

3.3 Integration into Overall Risk Management

The climate risk management process has been embedded in the Company's overall risk management system. Climate risk is treated as a specialized risk category and has an independent module on the risk management platform, where risk information is updated regularly and reported to the ESG Governance Working Group. At the same time, the tracking of climate opportunities has also been incorporated into the strategic execution monitoring system to ensure alignment with the Company's overall strategy.

IV. Metrics and Targets

4.1 Greenhouse Gas Emissions

The Company accounts for greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (2004 Edition). The emission data for 2025 are as follows:

Metric	Unit	2025	2024	2023	Calculation Methods and Notes
Scope 1 Greenhouse Gas Emissions	tonnes	17.98	18.10	19.05	Including gasoline consumption by Company-owned vehicles
Scope 2 Greenhouse Gas Emissions	tonnes	3,992.40	3,005.60	3,163.80	For purchased electricity, the regional grid emission factor is used (latest 2025 value)
Total greenhouse gas emissions	tonnes	4,010.38	3,023.70	3,182.85	/
Greenhouse gas emissions per RMB10,000 of sales revenue	tonnes	0.0383	0.0277	0.0264	/

Note: During the reporting period, the Company has not yet disclosed Scope 3 greenhouse gas emissions. The relevant data covers multiple stages, including upstream suppliers, downstream customers, and the product-use phase, and it is currently not possible to obtain complete and reliable data without undue cost or effort. The Company has initiated preliminary research on value chain carbon accounting; however, as some suppliers have not yet established carbon emissions accounting systems, the data quality does not yet meet disclosure requirements. As supply chain carbon management capabilities improve and data availability increases, the Company will gradually expand its reporting scope.

Scope 3 Categories	Current Status	Future Plans
Category 1: Purchased Goods and Services	Most suppliers have not established carbon emissions inventory systems, making it impossible to obtain reliable data at a reasonable cost; therefore, this category has not been quantified	Launch the Green Supply Chain project, provide carbon data accounting training to the top 50 core suppliers, and complete preliminary quantification by 2027
Category 4: Upstream Transportation and Distribution	The Company is working with third-party logistics providers to collect fuel consumption data, but the data quality does not yet meet disclosure requirements; therefore, this category has not been quantified	Improve the logistics data collection system, complete the preliminary accounting, and disclose the information
Category 7: Employee Commuting	A preliminary estimate has been completed through an employee questionnaire survey; however, due to response rate issues, data quality is not yet stable, so it is not being disclosed at this time	Improve the survey method, increase the response rate, complete the estimate, and disclose the information
Category 11: Use of Sold Products	The Company's products are medical implants. During use, they do not consume energy or generate direct emissions, so this category is not applicable	–

4.2 Internal carbon pricing

The Company has not yet formally incorporated internal carbon pricing into its decision-making process. The Board of Directors and management have recognized the important role of carbon pricing in risk management and the low-carbon transition, and have initiated preliminary research to assess the potential impact of different carbon price levels on the Company's investment projects and product costs. Following the completion of internal capability building and industry benchmarking, the Company plans to launch pilot carbon pricing applications at an appropriate time in the future.

4.3 Climate-Related Targets

4.3.1 Greenhouse Gas Emission Reduction Targets

To mitigate greenhouse gas emissions, the Company will take measures such as improving energy efficiency, optimizing production processes, and expanding the use of renewable energy to directly reduce carbon emissions from its operations. With reference to China's "3060" goals and the industry's decarbonization pathway, the Company plans to reduce emission intensity by 3% relative to the base year (being 2025) by 2035. This target applies to all production bases and office premises wholly owned by the Company, including the Tongzhou and Daxing sites in Beijing and the factory in Weixian, Hebei, and covers all Scope 1 and Scope 2 emissions. The ESG Governance Working Group reviews progress toward the target annually and revises it in a timely manner in response to internal and external changes.

From 2023 to 2025, the Company's greenhouse gas emissions intensity per RMB10,000 of sales revenue increased from 0.0264 tons to 0.0383 tons, indicating a temporary upward trend, mainly for the following reasons:

First, market conditions changed in 2025, and the Company's sales revenue decreased by 13.47% compared with 2023; however, some energy-intensive production equipment still operated at a basic load, thereby diluting the benefits of energy savings.

Second, the Xingtai plant in Hebei added a forging production line in 2025. During the equipment ramp-up period, energy consumption is higher than under stable operating conditions, and the related energy-saving technical upgrade project is expected to be commissioned in 2026 and begin delivering results.

Third, in 2025 the regional power grid emission factor increased by 8% year on year, directly resulting in higher Scope 2 emissions intensity.

These changes further underscore the necessity and urgency of the Company's goal of reducing emissions intensity by 3% by 2035 relative to the base year. Going forward, the Company will continue to promote greenhouse gas emissions reduction through measures such as technical upgrades, energy mix optimization, and improved capacity utilization, ensuring that the target is achieved as scheduled.

Note: The Company's current greenhouse gas emissions target is an absolute emissions reduction target, and it does not currently plan to use carbon credits to achieve this target.

CIRCULAR ECONOMY

The Company adheres to the core circular economy principles of reduction, reuse, and resource recovery, with the overarching goal of becoming a green manufacturing benchmark in the medical device industry, and integrates circular economy concepts throughout its production and operational processes.

Clean Energy Replacement

Ground-source heat pump air-conditioning systems have been deployed at the Tongzhou No. 2 Production Base and the Weixian Production Base, using geothermal energy to provide integrated cooling and heating. During operation, the system neither consumes water resources nor generates pollutants, and it requires no boilers, cooling towers, or fuel storage areas, substantially reducing the consumption of traditional energy. At the same time, the Company installed solar power generation equipment at its Daxing production base to supply green electricity to production support operations and office areas, laying the groundwork for long-term energy conservation.

Circular Improvement

The Company implements a tiered use and water recycling mechanism for production water, optimizes water use in cleaning, cooling, and other processes, reduces fresh water consumption, and strengthens inspections of the water supply network to prevent leaks, thereby improving water-use efficiency. The Company has fully promoted a paperless office system, moving approvals and workflow circulation for core business operations online. It also enforces a "second-use" policy for office paper, prioritizing the use of the reverse side of waste paper for printing internal documents and drafts, reducing the consumption of office resources and putting a low-carbon office model into practice.

Non-hazardous Waste Management

We implement a closed-loop management model of "source reduction - sorted recycling - resource recovery". Sorted recycling collection points are set up in production workshops and office areas in a scientifically planned manner, with clear sorting standards and disposal requirements. At the same time, we work with professional recycling agencies to recycle finished-product packaging materials and scrap materials, thereby promoting the circular use of resources.

WATER RESOURCE MANAGEMENT

The Company places great importance on water conservation. Taking into account the water-use characteristics of medical device manufacturing, it has established a refined water resource management system. In 2025, total water consumption was 15,700 tons, and water consumption per RMB10,000 of sales revenue was 0.15 tons. Water was used mainly for production cooling, equipment cleaning, and office and domestic purposes.

In the production process, the Company optimized the cooling water system for orthopedic implant manufacturing. Through closed-loop upgrades and water purification treatment, it enabled the recycling and reuse of production cooling water, improved water-use efficiency, and reduced water consumption in production; In office and living areas, the Company fully replaced existing fixtures with water-saving faucets and sensor-activated flushing devices, posted water-saving reminder signs, and carried out Water Saving Week promotional activities to strengthen water conservation awareness among all employees, thereby enabling efficient water savings in both production and office operations.

The Company has identified continuous water conservation and consumption reduction as a core objective, striving to reduce water consumption per unit of output value by more than 3% in 2026 compared with 2025, further improve the rate of water recycling and reuse, and establish a green water-use model featuring efficient recycling of production water and intensive, economical use of domestic water. To this end, the Company will establish water-use tracking records by region and process, implement online monitoring at key water-use points, promptly investigate and address pipeline leaks and abnormal water use, and continue upgrading water-efficient production equipment and living facilities, thereby comprehensively improving the operational efficiency of its water-use system and the standard of refined management.

WASTE DISPOSAL

The Company strictly complies with laws and regulations such as the Regulations on the Administration of Medical Waste and the Law on the Prevention and Control of Environmental Pollution by Solid Waste. Drawing on Weigao's management experience of "key control and full-chain compliance" for hazardous waste and "source reduction and recycling" for non-hazardous waste, it has established a waste management system featuring clear classification, standardized disposal, and full traceability. Waste disposal data for 2025 are set out below, fully meeting regulatory requirements for precise waste-related disclosure.

For hazardous waste management, the total amount of hazardous waste generated during the year was 17.292 tons, and the emission intensity of hazardous waste generated per RMB10,000 of sales revenue was 0.17 kilograms. This mainly included waste oil, waste solvents, and discarded medical consumables generated in the production process. The density of hazardous waste was 1 ton/cubic meter. The Company has established a dedicated sealed storage warehouse equipped with leak-proof, corrosion-resistant facilities and 24-hour monitoring equipment, and has assigned designated personnel to oversee classified collection and ledger registration, ensuring that the source of every batch of hazardous waste is traceable and its destination can be tracked. The Company has entered into a long-term cooperation agreement with a qualified third-party institution licensed for Class A hazardous waste disposal, and strictly follows the hazardous waste transfer manifest system in transport and disposal. Throughout the year, the compliant disposal rate for hazardous waste reached 100%, with no incidents of hazardous waste leakage or improper disposal, effectively mitigating environmental risks.

Regarding non-hazardous waste management, the total amount of non-hazardous waste generated during the year was 626 tons, and the emission intensity of non-hazardous waste generated per RMB10,000 of sales revenue was 5.99 kilograms. The Company implements a closed-loop management model of "source reduction - classified recycling - resource utilization", with well-planned classified collection points in production workshops and office areas, and clearly defined sorting standards and disposal requirements for recyclables and other waste. Dedicated personnel will be assigned to regularly inspect recycling activities, and professional recycling agencies will be engaged to carry out resource recovery and recycling, effectively promoting circular resource use and waste reduction while easing environmental pressure.

Office Resource Conservation and Green Office Practices

The Company extends its green philosophy to every aspect of office operations. While strictly controlling resource consumption in production, it is also advancing office resource conservation measures and putting a low-carbon office model into practice. In 2025, a paperless office system will be rolled out comprehensively, with core business processes and approval workflows moved online, significantly reducing the volume of printed documents; For internal documents, drafts, and other materials that must be printed, a strict second-use paper policy will be enforced, making full use of the reverse side of used paper for printing, effectively reducing office paper consumption and fully embedding the green development philosophy into employees' daily work.

Management System Assurance and Future Planning

The Company has established and improved an accountability system for energy and resource management, incorporating indicators such as energy consumption, water conservation, and waste reduction into the annual performance evaluations of all departments, thereby creating a management framework of "full participation and accountability at every level". The Company also conducts regular dedicated audits of energy and resource management to ensure that all measures are effectively implemented. In 2026, the Company plans to continue increasing investment in energy and resource management, with a focus on advancing projects such as advanced water treatment and reuse. It will continue to optimize the efficiency of energy and resource utilization, further enhance water recycling rates and the capacity for resource utilization of non-hazardous waste, promote green and low-carbon development, and continuously benchmark itself against industry leaders, with the goal of becoming a model of green manufacturing in the medical device industry and ensuring that total waste emissions are reduced by 2% compared with 2025.

POLLUTANT DISCHARGE

The Company's principal business is the R&D, manufacturing, and sale of orthopedic medical devices, and it does not belong to any heavily polluting industry or enterprise as defined under the Regulations on the Administration of the Directory of Key Pollution Discharge Units (Trial). The Company strictly complies with national and local environmental protection laws and regulations, and has established and rigorously implemented internal environmental management standards. Its pollutant emissions meet all applicable standards and have not caused any adverse impact on the air, water, or soil environment of surrounding communities, nor have they posed any hazard to employees' working conditions or the normal lives of community residents. At the same time, the Company places great importance on environmental management and community harmony, ensuring that surrounding communities have the right to be informed about and to oversee the Company's environmental protection performance. During the reporting period, the Company actively cooperated with the environmental authorities in their routine supervision and inspections. No material environmental violations occurred, and the Company was not subject to any environment-related administrative penalties. Going forward, the Company will continue to prioritize environmental protection and further reduce the environmental impact of its operations by optimizing production processes and improving resource utilization efficiency, thereby fulfilling its corporate social responsibility.

The Company's main production processes include primary processing, precision processing, labeling, cleaning, packaging, disinfection, and quality inspection. These processes do not involve high-risk or heavily polluting activities, though small amounts of exhaust gas, wastewater, waste oil and liquids, noise, and solid waste are generated. Details are as follows:

1. Wastewater

The Company only generates a small volume of equipment cleaning wastewater during its production process. The cleaning wastewater and domestic wastewater are treated to meet the discharge standards by the treatment facilities adopting the biological contact oxidation process at the Company's wastewater treatment station, and then transported through the municipal sewage pipe network to the local wastewater treatment plant for further treatment. There is no direct discharge of wastewater into the external environment, which has no material impact on the environment. To ensure the accuracy of data, the quantitative data on wastewater treatment will not be disclosed for the current year provisionally. Relevant disclosures will be gradually improved in the future in accordance with regulatory requirements and data availability.

2. Waste oil and waste liquids

Waste oil and waste liquids mainly include cutting oil, hydraulic oil, and other such substances generated during machining. Waste oil and waste liquids are collected centrally by designated personnel and entrusted to companies with the relevant professional qualifications for disposal. During the reporting period, the total amount of waste oil and waste liquid generated by the Company was 14.134 tons.

3. Waste gas

The main business of the Company is the research and development and production of orthopedic medical devices, and our business process does not involve industrial boilers, large-scale combustion equipment and other major waste gas emission sources. After assessment, the Company only has a small amount of experimental equipment and emergency power generators which produce a very small amount of exhaust emissions. Therefore, the proportion of emissions to the environmental capacity of the region is negligible and there is no substantial impact on the environment. During the reporting period, there were no incidents of excessive emission of exhaust gas or environmental penalties. At present, the Company has not installed online continuous monitoring equipment for the above trace emission sources. If the theoretical estimation method is adopted, the data uncertainty is high, which may mislead the users of the report. Therefore, no quantitative data was disclosed during the year. The Company plans to investigate and identify the main waste gas generation points in 2026, and entrust third-party testing institutions to carry out regular monitoring of those generation points, and assess whether quantitative data needs to be disclosed in future reports according to the monitoring results.

4. Noise

The Company's existing noise-generating equipment mainly includes slitting lathes, machining centers, and similar equipment. The above equipment is all located within the production workshop, and noise is mainly reduced through measures such as installing vibration-damping pads on equipment foundations and using the workshop buildings for sound insulation.

5. Solid Waste

The solid waste generated by the Company mainly includes scrap metal offcuts, waste titanium chips, and iron filings. After collection, recyclable waste is sold in bulk for reuse, while non-recyclable solid waste is entrusted to locally qualified professional companies for disposal.

The Company strictly complies with the applicable environmental protection laws, regulations, and industry standards in the places where it operates. At the same time, in light of its own circumstances, it has established a sound environmental protection management system comprising a series of relevant regulations such as the Environmental Protection Management System for the Production Process, the Environmental Facilities Maintenance and Management System, the Environmental Monitoring Management System. The Company centrally manages hazardous waste and promptly transfers it to licensed specialized institutions for safe disposal.

BIODIVERSITY

The Company's core production base is located in the southern zone of the Beijing Tongzhou Economic Development Area, at a key point in the ecological protection framework for the coordinated development of the Beijing-Tianjin-Hebei region. It is adjacent to the ecological corridor of the Tongzhou urban sub-center, and is surrounded by ecological spaces such as planted forests and small wetlands, providing an excellent habitat for local flora and fauna. As a company deeply rooted in the orthopedic implant device sector, it upholds the development philosophy of "ecology first and coordinated coexistence", fully recognizing the vital importance of biodiversity to regional ecological security and integrating it into every aspect of its production and operations, thereby fostering a virtuous cycle between ecological protection and corporate development.

Given that orthopedic device manufacturing involves no heavy pollution or large-scale land development, the Company strictly controls the potential impact of its production activities on the surrounding ecosystem and has established a standardized environmental management system. Solid waste and wastewater generated during production are sorted and treated separately, and industrial solid waste is recycled in compliance with regulations. The Company is comprehensively optimizing its energy mix, prioritizing clean energy, and reducing the impact of air emissions on the regional ecosystem. In addition, the Company is advancing Green Supply Chain development and gives priority to environmentally compliant suppliers.

Looking ahead, the Company will closely follow the ecological development plan for the Tongzhou sub-center, continue optimizing ecological upgrades to the plant area, expand the cultivation of native plants, and improve ecological protection facilities. At the same time, we strengthened ecological responsibility management across the supply chain, established a biodiversity impact assessment mechanism for suppliers, deepened cooperation with research institutions and public welfare organizations, and expanded the forms of employee participation in ecological conservation practices. With the core goal of building an eco-friendly enterprise, the Company continues to strengthen biodiversity protection efforts and contributes the responsibility and strength of Chunli Medical to safeguarding regional ecological balance and achieving the coordinated Sustainable Development of the Company and nature.

Society: Responsibility and Commitment, Value Sharing

EMPLOYEE RIGHTS AND INTERESTS

In 2025, the Company adhered to a people-oriented development philosophy, safeguarded the lawful rights and interests of employees, strengthened workplace safety protections, paid close attention to employee well-being, and strived to foster harmonious labor relations.

The Company places great importance on protecting employees' lawful rights and interests and strictly complies with the requirements of laws and regulations including the Labor Contract Law of the People's Republic of China and the Labor Law of the People's Republic of China. It upholds the employment philosophy of: those with both integrity and talent are promoted and entrusted with important responsibilities; those with integrity but limited ability are developed and employed; those with ability but lacking integrity are guided and employed with correction; those with neither integrity nor ability are resolutely not employed. The Company recruits and develops talent based on moral character and ability, and firmly opposes discrimination against employees on the grounds of nationality, race, gender, age, marital status, or other factors. It adheres to diversified recruitment channels and provides equal opportunities to all applicants. The Company listens to employees' views through channels such as the employees' congress, attends to and values their reasonable needs, and safeguards their lawful labor rights. In light of applicable laws and regulations, industry characteristics, and operating conditions, it implements fair and effective performance evaluation and promotion mechanisms, and has established a multidimensional compensation management system that combines monthly or annual salaries with equity incentives. This approach aligns individual rewards with the Company's long-term goals, fully motivates employees' initiative and creativity, provides strong momentum for improving operating efficiency and supporting the long-term, steady development of the Company's business, and lays a solid foundation for the Company's sustainable and sound development.

In 2024, the Company's trade union work delivered outstanding results and was honored as an "Advanced Unit" by the Huoxian Town Federation of Trade Unions, Tongzhou District. At the same time, in recognition of its outstanding performance, the Company's Party branch was awarded the title of "Advanced Primary-Level Party Organization" by the Huoxian Town Committee of the Communist Party of China, Tongzhou District, Beijing.

As of 31 December 2025, the Company had a total of 1,078 employees, all from mainland China. Of these, 318 were under the age of 30, 718 were between the ages of 30 and 50, and 42 were over the age of 50. Among them, 633 were male and 445 were female.

The Company is committed to building an organizational capability system that combines flexibility and resilience, strengthening cross-organizational coordination and collaboration, and improving operational efficiency to address the growing uncertainty of the external market. During the reporting period, the Company optimized its organizational structure and workforce allocation, and streamlined certain non-core projects and positions. As a result, the overall employee turnover rate for the period was 15%, as follows: the turnover rate for female employees was 38%, for male employees was 62%, for employees under 30 years old was 58%, for employees aged 30-50 was 41.4%, and for employees over 50 was 0.6%.

The Company requires medical check-ups for both new and existing employees. New hires are required to provide a pre-employment medical check-up report to ensure health screening records are available and to establish individual health files.

To protect employees' health, the Company provides lunch on regular workdays. The Administration Department arranges the meals to ensure employees receive balanced nutrition. The Company strictly controls food procurement and prohibits the use of any food that may be harmful to human health. The Company also places great importance on employees' physical fitness, providing venues and facilities for table tennis, basketball, and badminton. Each month, the Administration Department organizes fun sports events to enrich employees' lives and encourage them to stay active and committed to regular exercise.

To improve the working environment, the Company has invested significant human, material, and financial resources in planting various kinds of vegetation, including magnolia, chrysanthemums, boxwood, and bamboo, to help purify the air. Other areas are paved with concrete to prevent dust.

The Company upholds a corporate culture of harmonious development between the enterprise and its employees. The Company places great importance on employees' physical and mental health, fosters a healthy, safe, and comfortable working environment, and makes every effort to care for its employees.

The Company holds a birthday celebration each month for employees celebrating their birthdays that month, so they can feel the warmth of home. The Company provides dormitory accommodation for employees in need. The newly built Daxing production base includes a sufficient number of dormitories to ensure proper living conditions for employees.

As a listed company in the medical device industry, the Company consistently upholds humanitarian principles and strictly complies with the Labor Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor, ILO Conventions, and other relevant industry regulatory requirements. Taking into account the employment characteristics across the entire medical device value chain, including production, research and development, and sales, the Company has established and improved management systems to prevent child labor and forced labor, effectively safeguard the lawful rights and interests of all employees, eliminate any form of child labor and forced labor, promote a compliant, healthy, and fair working environment, and support the Company's Sustainable Development.

The Company strictly defines the minimum working-age standards and explicitly prohibits the hiring of minors under the age of 16. In view of the special nature of certain positions in the medical device industry, which involve precision operations and work in sterile environments, it further standardizes the employment screening process to eliminate the risk of child labor at the source. The specific measures are as follows:

(1) Standardize the recruitment screening mechanism: when hiring for any position, applicants are required to provide the originals and copies of valid identity documents (ID card, household registration booklet, etc.). Designated HR personnel verify the identity information, with particular attention to key details such as date of birth and age, to ensure that applicants are at least 16 years old. If there is any doubt about an applicant's identity information, the hiring process is suspended pending further verification, so as to prevent employment under a false identity; For internship positions, only enrolled students aged 18 or above will be accepted, and a formal internship agreement must be signed clearly specifying the internship term, job responsibilities, and rights and protections. It is strictly prohibited to assign interns under the age of 18 to prohibited positions involving work at heights, high temperatures, toxic or hazardous conditions, etc. (such as medical device sterilization and chemical reagent handling).

(2) Improve employment records management: establish complete employment records for all employees, detailing identity information, start date, labor contract execution status, job assignment, and other relevant information; regularly review employment records, with a focus on identifying anomalies in age information, mismatched identity information, and similar issues, to ensure that the records are authentic, complete, and traceable; At the same time, retain copies of employees' ID documents, onboarding review records, and other relevant materials for at least 5 years after an employee leaves the Company to facilitate regulatory inspections and verification.

(3) Strengthen internal training and communication: Regularly organize labor compliance training for the human resources department, recruitment specialists, and heads of various departments, with a focus on methods for identifying child labor, the laws and regulations prohibiting the use of child labor, and relevant company policies, while clarifying the employment review responsibilities of each role; Use channels such as the Company intranet, the Employee Handbook, and bulletin boards to promote the prohibition of child labor to all employees, encourage employees to report suspected child labor cases, and foster a positive atmosphere of organization-wide oversight.

(4) Strengthen labor controls across the supply chain: The medical device industry involves multiple supply chain links, including component procurement and contract manufacturing. The Company will incorporate the prohibition of child labor into its supply chain social responsibility management system. When entering into cooperation agreements with suppliers and contract manufacturers, it will expressly include clauses prohibiting the use of child labor and require partners to provide commitments to labor compliance; Conduct regular labor compliance reviews of core suppliers and contract manufacturers, with a focus on their recruitment processes and employee age profiles. For any partner presenting a risk of child labor, cooperation will be suspended immediately and corrective action required; if such corrective action is inadequate, the cooperative relationship will be terminated.

The Company strictly prohibits any form of forced labor, including forced labor and disguised forms of forced labor (such as confiscating identity documents, collecting deposits, restricting personal freedom, or coercing employees to work overtime). Taking into account the employment characteristics of the medical device industry, the Company has established a comprehensive control mechanism to safeguard employees' personal freedom and right to choose their work freely. The specific measures are as follows:-

(1) Standardize labor contract management: All employees must sign lawful and valid labor contracts upon hire, clearly setting out key terms such as the contract period, job duties, working hours, compensation, social insurance, and the conditions for termination of the labor contract. The Company strictly prohibits the signing of unfair or unreasonable labor contracts, the retention of employees' ID cards, household registration booklets, academic certificates, or other personal documents in any form, and the collection of deposits, security payments, or any other fees.

(2) Protect employees' autonomy in labor: Employees have the right, in accordance with their labor contracts, to independently choose their positions and refuse unreasonable work arrangements. The Company strictly prohibits forcing employees, through threats, intimidation, coercion, or other such means, to perform work beyond the scope agreed in their labor contracts, and strictly prohibits requiring employees to work overtime; Where overtime is required due to genuine production or operational needs (such as urgent medical device orders or emergency R&D), the Company must consult with employees and obtain their prior agreement, pay overtime wages in accordance with the law, and ensure that overtime does not exceed 36 hours per month, while safeguarding employees' rights to rest and leave.

(3) Improve compensation and benefits protection: The Company strictly complies with laws, regulations, and labor contract terms by paying employees in full and on time, clearly defining payroll calculation standards and payment dates, and preventing any arrears or unlawful deductions of employees' wages; The Company pays social insurance for all employees (pension insurance, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) as well as the housing provident fund, safeguards employees' basic rights and interests, and prevents employees from being forced into labor due to compensation and benefits issues.

(4) Establish complaint and reporting channels: Set up dedicated complaint hotlines, email addresses, and online feedback platforms, designate specific personnel to handle employee complaints and reports concerning forced labor, strictly protect the confidentiality of whistleblowers' information, and ensure that reporting channels remain open; Complaints and reports received shall be promptly verified and addressed, without delay or buck-passing, to effectively ensure that employees' legitimate appeals are resolved.

The Company has established and improved mechanisms for screening, identifying, and addressing violations involving child labor and forced labor, clearly defining the responsible parties and handling procedures at each stage to ensure that, once any violation is discovered, it can be addressed quickly and effectively and any adverse impact eliminated in a timely manner. Going forward, the Company will continue to strengthen labor compliance management, further improve control measures to prevent child labor and forced labor, enhance the protection of employees' rights and interests, and, in light of the development characteristics of the medical device industry, promote the deep integration of labor compliance with the Company's Sustainable Development, earnestly fulfill the social responsibilities of a listed company, and build a positive industry image.

EMPLOYEE TRAINING AND DEVELOPMENT

I. Job Framework and Career Development Mechanism

The Company has established a job management framework that is clearly structured by tier and category, with well-defined responsibilities and smooth career pathways, and has created diverse career development tracks, including management, professional and technical, production operations, and marketing and service. It has defined the qualifications, competency standards, and promotion paths for roles in each track, breaking through the limitations of a single advancement route and providing employees at different levels and in different roles with clear and predictable career development opportunities.

In employee promotion and selection, the Company upholds the principles of fairness, impartiality, openness, and merit-based competition, and has established a talent evaluation and selection mechanism centered on capability, performance, compliance, and innovative contribution. Through internal recruitment, annual performance reviews, specialized evaluations, talent reviews, and other channels, the Company gives priority to selecting and appointing outstanding employees who possess both integrity and ability, have delivered notable results, and are widely recognized, ensuring the effective placement of top talent in key positions across R&D, production, quality control, marketing, and other functions. At the same time, the Company has established mechanisms for mentorship, key talent development, and succession pipeline development, providing systematic training and follow-up for core talent and high-potential employees, creating a dynamic talent reserve and a virtuous cycle to support the Company's sustained and stable development.

II. Building and Implementing a Tiered, Category-Based Training System

Grounded in the orthopedic medical device industry's core characteristics—stringent compliance requirements, high technical barriers, and an overriding commitment to quality and safety—the Company has developed a differentiated training system tailored to the competency needs of employees across roles and levels. The system balances regulatory compliance, technical expertise, and career development, ensuring that training content is closely aligned with the full value chain of orthopedic device R&D, manufacturing, quality control, and sales.

For new employees, the Company provides onboarding training to ensure they quickly adapt to the characteristics of the orthopedic medical device industry and the requirements of their roles. The training covers corporate culture, communication and rollout of ESG principles, the key provisions of the Regulations on the Supervision and Administration of Medical Devices, the Company's internal control procedures, and workplace safety standards, with a particular focus on industry-specific compliance requirements such as clean manufacturing and aseptic operations for orthopedic devices; At the same time, the hands-on modules are tailored to each role: production staff focus on titanium-alloy orthopedic implant processing techniques and cleanroom gowning protocols; R&D staff emphasize the fundamentals of orthopedic prosthesis design and compliant R&D procedures; sales staff strengthen compliance briefings on product registration certificates and skills for aligning with clinical needs. In 2025, onboarding training achieved 100% coverage for new employees, with a 100% pass rate on training assessments, effectively improving role-fit efficiency, reducing employee turnover, and establishing a strong first line of compliance defense across the workforce.

For the quality management department, we closely aligned with the full-lifecycle quality control requirements for orthopedic medical devices and conducted regular specialized training that integrates regulations with hands-on practice, reinforcing safeguards for product quality and safety. The training program is centered on the Regulations on the Supervision and Administration of Medical Devices and Good Manufacturing Practice (GMP) for Medical Devices, providing in-depth interpretation of the ISO 13485 medical device quality management system, the YY/T 0287 industry standard, and the latest NMPA regulatory policies. It focuses on critical areas such as sterility testing for orthopedic implants, biocompatibility validation, and traceability of batch production records, while breaking down compliance risk points and corresponding response measures. The training incorporates case studies on common quality issues in orthopedic devices and simulations of FDA/CE certification audit procedures, strengthening employees' ability to implement regulations and respond to risks; At the same time, regular cross-departmental compliance workshops are organized to bring together the production, R&D, and sales departments to map end-to-end compliance risks across the entire orthopedic device lifecycle, from R&D and design to post-market adverse event reporting, building a shared compliance mindset across the organization. Quality management regulatory training conducted throughout the year covered all department employees, helping the team successfully pass multiple industry compliance audits and safeguarding the quality and safety of orthopedic devices throughout their entire lifecycle.

For the R&D department, a dual-track training mechanism combining internal knowledge transfer with external technical enablement has been established to strengthen the core innovation capabilities of orthopedic devices. Regular internal project experience-sharing sessions are held, where key R&D personnel present on topics such as the development of new spinal and joint orthopedic implant products, optimization of titanium alloy processing techniques, and breakthroughs in antibacterial coating technology. They share insights on translating clinical needs into product development, overcoming technical challenges, and ensuring R&D compliance throughout project execution, thereby promoting the internal iteration and transfer of core technologies. At the same time, in line with industry technology trends, the Company invites university scholars and industry experts to deliver lectures on cutting-edge technologies, covering areas such as the application of 3D-printed orthopedic prostheses and the optimization of hip prosthesis structures through finite element analysis, thereby broadening the R&D perspective. In addition, R&D personnel are encouraged to participate in academic conferences and technical exchange activities in the orthopedic implant industry to engage with cutting-edge industry concepts and technologies, while also strengthening training in end-to-end R&D risk management under the ISO 14971 standard, ensuring that innovation and compliance progress hand in hand and providing strong talent support for the iterative upgrade of the Company's orthopedic medical device products.

In addition to specialized training, the Company provides all employees with general capability-building training tailored to the characteristics of the industry, covering modules such as ESG management, production safety, digital skills, and professionalism. Among these, production safety training focuses on sterilization parameter control in orthopedic device manufacturing and compliance requirements for the environmentally sound disposal of metal scrap (titanium shavings); ESG training incorporates industry-specific topics such as the recyclability and biosafety of orthopedic implant materials; Digital skills training emphasizes orthopedic device R&D and design software, as well as the operation of full-process production traceability systems. By integrating online learning platforms with in-person instruction, the Company addresses employees' fragmented learning needs, comprehensively strengthens their capabilities, and fosters a culture of continuous learning grounded in compliance and driven by innovation.

III. Training Effectiveness and Value Creation

In 2025, by implementing an industry-tailored training system, the Company achieved multidimensional improvements in employee capabilities, operational efficiency, and ESG performance. In terms of talent empowerment, employees across the Company significantly enhanced their compliance awareness and professional expertise in orthopedic devices, while the R&D team, supported by cutting-edge technical training, achieved breakthroughs in multiple core technologies and successfully commercialized innovative products such as 3D-printed spinal fusion cages; The quality management team maintained precise control over the key compliance requirements for orthopedic implants and successfully passed multiple authoritative industry audits, including GMP surprise inspections and ISO 13485 quality management system audits, with no compliance breaches or product quality and safety incidents throughout the year. In terms of organizational development, the training accelerated the internal transfer of core orthopedic device technologies and compliance expertise, strengthened collaboration among the R&D, production, and quality control departments, and fostered an organizational culture centered on compliance as the foundation, innovation as the priority, and growth as the core, thereby laying a solid foundation for the Company's sustainable operations.

At the same time, the Company closely integrated training outcomes with employee career development pathways by incorporating practical orthopedic device compliance capabilities and technological innovation achievements into the training evaluation system and directly linking them to promotions and performance incentives. This effectively boosted employees' motivation and initiative to learn and helped build a stable talent pipeline spanning core roles in R&D, quality control, production, and other key functions. In addition, the training continuously strengthened ESG awareness and industry responsibility, encouraging employees to incorporate the principles of orthopedic device biosafety, environmentally friendly production, and compliant operations into their daily work, thereby supporting the deep implementation of the Company's ESG governance system and further enhancing the confidence of Stakeholders, including investors and medical institutions, in the Company's Sustainable Development capabilities.

In 2025, 67% of male employees received training, with an average of 4.5 hours, while 33% of female employees received training, with an average of 4 hours; Among senior managers, 100% received training, with an average of 3 hours; among middle managers, 80% received training, with an average of 4 hours; and among frontline employees, 96% received training, with an average of 5 hours. A total of 192 training instances were completed: 75 on various areas of professional knowledge, 11 on laws and regulations, 13 on safety, 34 for new employee onboarding, and 59 others. New employees achieved 100% training coverage, the average training duration was 2.5 hours, 44% of newly hired employees were female, 56% were male, and the overall training completion rate reached 100%. The full annual employee training budget of RMB285,000 was allocated, with key spending directed toward course development, instructor engagement, practical training venues and equipment, online platform operations, and external exchange and learning, providing solid financial support for the efficient operation of the training system.

IV. Future Training Plans and Objectives

Based on the effectiveness of its 2025 training programs, the Company has developed its 2026 training plan in line with its ESG Strategy objectives and the trends of technological upgrading and regulatory updates in the orthopedic medical device industry, and will continue to refine its industry-tailored training system. First, it will deepen training on integrating ESG with business operations by incorporating topics such as the application of sustainable materials in orthopedic implants and the communication of ESG value in clinical settings into role-based training, in response to the requirements of the TCFD framework and to strengthen employees' sense of industry responsibility. Second, it will strengthen digital empowerment through training by introducing specialized courses on the digital R&D platform for orthopedic devices and the end-to-end quality traceability system, optimizing training formats, and enhancing the digital operational capabilities of employees in key roles. Third, focus on cutting-edge industry developments, keep pace with trends such as the R&D of implants compatible with orthopedic surgical robots and bioabsorbable implant technologies, stay aligned with the latest NMPA compliance requirements, and build a high-caliber, professional talent team.

Going forward, the Company will continue to increase investment in employee development and training, focus on the core needs of the orthopedic medical device industry, use talent development to drive technological innovation and compliant operations, fulfill its human capital development responsibilities under ESG, build a more cohesive and competitive organization, and contribute to technological progress, quality improvement, and sustainable development in the orthopedic medical device industry.

OCCUPATIONAL HEALTH AND SAFETY

Employee health and workplace safety are core concerns of the Company. As the party primarily responsible for workplace safety, we uphold the philosophy of "people first, safety first" and regard the prevention of occupational hazards to employees as our foremost responsibility. The Company strictly complies with key applicable laws and regulations in mainland China and the United States, including the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Work Safety Law of the People's Republic of China, to ensure compliant operations. We have established plant safety management systems and emergency response plans, reinforced accountability by signing safety responsibility agreements at each level, and integrated occupational health management into daily operations.

Safety Risk Assessment

The Company has established a routine hazard identification and risk assessment mechanism. Covering the entire orthopedic medical device production process, it conducts systematic risk identification and graded assessment of key areas, including production equipment, process operations, hazardous chemicals, special equipment, electricity and gas use, noise, dust, temperature, and humidity. With a focus on high-risk scenarios such as metal processing, cleanroom operations, chemical use, and equipment operation and maintenance, the Company identifies risk points, determines risk levels, develops prevention and control measures, and specifies the responsible departments, forming a risk register and dynamic control log to ensure that risks are identifiable, assessable, controllable, and traceable, thereby reducing safety and occupational health hazards at the source.

Workplace Safety Management Framework

The Company has established a comprehensive workplace safety management system covering objectives, responsibilities, hazard identification, occupational health, and fire safety, and has set up a Safety Management Department to coordinate goal setting, performance evaluation, and employee-wide training. At the same time, it has built a four-tier control framework, incorporated occupational health indicators into performance evaluations, and developed targeted prevention and control plans for hazards in orthopedic production, achieving standardized management. In 2025, multiple special audits were carried out. Issues identified were rectified immediately, achieving a 100% closure rate. No major occupational health or workplace safety incidents occurred throughout the year, and the compliance rate remained at 100%.

Safety Training

Our Company fully recognizes that training is closely tied to a safe working environment and employees' occupational health. To this end, the Company develops a comprehensive, systematic annual safety training plan based on the actual operating conditions of each department. Through standardized safety training and communication of the Company's safety policies, the Company works to enhance all employees' occupational health and safety awareness, encourage proactive engagement in safety-related work, and strengthen professional operating skills, especially among personnel in positions involving major safety risks, ensuring that they can perform their duties in compliance with regulations in a safe and controlled environment.

If employees identify any safety incident or potential hazard, they must report it to management immediately. All shop floor employees must complete training on the operation of all machinery and equipment, become fully familiar with the production department's workflows and operating guidelines, master the operating techniques for various facilities and equipment, and pass the safety training assessments organized by the production department and their teams. To continuously strengthen employees' occupational safety awareness, the Company regularly provides specialized technical training for each role to ensure that employees meet safe operating standards in terms of safety awareness, safety knowledge, and operational skills, and effectively fulfill their job-related safety responsibilities.

The Company also organized a variety of safety training programs, covering safety training for personnel handling hazardous chemicals, general safety awareness training, occupational health training, training related to medical device adverse events, as well as operating procedures and safety protocol training for each production process and position, and various emergency drills for safety incidents. Employees in special operations roles, such as electricians and welders, must complete professional safety training, pass the required assessments, and obtain the occupational qualification certificates issued by the competent government authorities before they are permitted to work.

The Company will continue to enhance and provide diversified safety training resources, continuously reduce occupational health and safety risks in the course of production and operations, and strengthen the line of defense for safe production.

Safe Working Environment

Our Company strictly implements the workplace safety policy of "Safety First, Prevention Foremost, and Comprehensive Management". The Maintenance Team of the Production Department is fully responsible for supervising and managing hazards at the production site. It routinely identifies and investigates potential safety risks in the production workshops and promptly adopts targeted measures to eliminate or effectively control any hazards found; At the same time, occupational hazard notification cards are posted in prominent locations throughout the production workshops, clearly identifying various hazard sources and the corresponding preventive measures. These serve as a constant reminder for employees to maintain proper safety protection, making every effort to ensure that all work is carried out in a safe and compliant environment.

The maintenance team is responsible for the routine maintenance of production machinery and equipment. If any equipment fails, the relevant personnel must report it immediately and arrange for repairs, thereby safeguarding operational safety at the equipment level; In addition, the maintenance team regularly carries out comprehensive inspections of production machinery and equipment as well as fire safety equipment (fire extinguishers, fire hoses, etc.). Any issues identified during these inspections are repaired without delay to ensure that all equipment and facilities remain in good working order at all times, reducing the risk of safety incidents at the source.

Employee Occupational Health

The Company strictly complies with national and Beijing municipal laws and regulations on workplace safety and occupational disease prevention and control, and has established and continuously improved dedicated systems for occupational health management and the management of labor protective equipment. Protection of employees' health rights and interests is incorporated into the core management of the Company's operations, strengthening the institutional foundation for occupational health protection.

Across the full production and operations process, the Company provides all employees with personal protective equipment that complies with relevant national standards, mainly including masks, goggles, earplug and protective gloves. Through ongoing communication, training, and supervision, employees are guided and required to wear and use protective equipment correctly in accordance with operational requirements. At the same time, the Company has established and implemented rigorous workplace safety procedures and fire safety management guidelines to comprehensively safeguard employee safety on the job.

Given the potential occupational health hazards arising from chemicals, noise, and other factors during production, the Company regularly engages qualified third-party testing agencies to carry out comprehensive assessments of occupational disease hazard factors across all production positions. The testing scope covers key indicators such as dust, carbon monoxide, nitrogen oxides, styrene, workplace temperature, and noise, enabling scientific and routine monitoring of occupational health risks. For the small number of positions where high-noise equipment is concentrated in one area and prone to cumulative noise effects, causing noise test results to temporarily fall short of occupational exposure limit requirements, the Company has implemented multiple targeted corrective measures: fully equipping employees in noise-exposed positions with dedicated occupational disease protection supplies such as earplugs and professional hearing protectors; Arrange regular specialized occupational health examinations for employees in these positions and dynamically monitor their health status; Optimize equipment layout planning at the production site, reduce cumulative noise impacts at the source, and continuously lower occupational health risks for these positions.

As a medical device manufacturer, the Company consistently treats employees' physical health as a core component of its occupational health management. In strict compliance with applicable national and Beijing laws and regulations on workplace safety and the prevention and control of occupational diseases, and in alignment with GMP requirements for the medical device industry and the specific characteristics of production roles, it has established and implemented a systematic, tiered, and role-based employee health examination management system. This system provides end-to-end coverage from pre-employment screening and periodic on-the-job medical examinations to health record management, safeguarding employees' health rights and interests while proactively mitigating potential risks to the manufacturing quality of medical device products arising from employee health issues, thereby strengthening a dual safeguard for both product quality and employee health.

The Human Resources and Administration Department takes the lead in coordinating the full-process management of employee health checkups, with clear responsibilities for each stage, including organizing checkups, following up on results, and managing records, to ensure that health checkups are conducted in a standardized and routine manner. For new employees, the Company arranges comprehensive pre-employment health checkups. Only those who pass the checkup may complete onboarding procedures and begin work, allowing the Company to assess employees' basic health status at the hiring stage and ensure they meet the occupational health requirements for medical device production roles.

The Company places great importance on investment in production safety and includes safety-related funds as a key part of the annual budget. In 2025, a cumulative total of RMB303,000 was invested in workplace safety to meet funding needs in key areas such as safety facility upgrades, hazard remediation, procurement of protective equipment, occupational health testing and medical examinations, and safety training and drills. At the same time, the Company strictly complied with labor protection laws and regulations and, in accordance with the law, paid work-related injury insurance in full for all employees. In 2025, payments for work-related injury insurance reached RMB876,300, with coverage limits extending to all employees and risks across the entire production process, ensuring full insurance coverage for all eligible parties and achieving a 100% personnel coverage rate, thereby effectively safeguarding employees' lives and health as well as the Company's lawful rights and interests.

From 2023 to 2025, the Company recorded no employee deaths or occupational injury accidents arising in the course of work, and no working days were lost as a result of employee occupational injuries or fatalities.

TECHNOLOGICAL INNOVATION

The Company follows a science and technology innovation strategy of "technology leadership, clinical orientation, breakthrough-driven innovation, and industrial empowerment", with the core goal of overcoming critical bottleneck technologies in the orthopedic medical device field and establishing an early presence in frontier innovation areas. Centered on four strategic directions—biodegradable biomaterials, additive manufacturing, AI-powered healthcare, and personalized implant devices—the Company is committed to becoming a global leader in innovative orthopedic technologies and products. It is working to overcome key technical bottlenecks, including the regulation of the mechanical properties of biodegradable zinc alloys and the optimization of the bonding strength of bioactive coatings, while building an end-to-end innovation system spanning "materials R&D - device design - clinical translation - industrial application" and developing a strong market competitive edge in intelligent rehabilitation devices and personalized orthopedic implants.

In 2025, the Company's total R&D investment reached RMB118,503,200.20, accounting for 11.35% of its main business revenue. Funding is secured through a support framework of "primarily self-raised funds, supplemented by policy support and diversified channels".

The Company has established an R&D management system covering the entire process of "project initiation - process control - commercialization of results - incentives and performance evaluation" and has formulated core policies such as the Measures for the Management of R&D Projects and the Intellectual Property Management Provisions. It has also established an R&D Committee composed of technical experts, clinicians, and industry advisors, responsible for reviewing project proposals and guiding technical direction, to ensure that R&D activities are closely aligned with market needs and the technological frontier.

As of the end of the reporting period, the Company had a total of 277 R&D personnel, accounting for 25.70% of its total workforce. The team included 3 PhDs and 48 master's degree holders. The Company attracts top-tier talent through platforms such as its postdoctoral research workstation and university-enterprise joint laboratories, providing strong personnel support for cutting-edge technology research.

The Company continues to advance medical-engineering collaboration by jointly developing research projects with universities, medical institutions, research institutes, and upstream and downstream industry partners. Focusing on critical national priority projects, it is expanding into frontier areas of innovation and contributing Chunli's strength to the goal of building China into a global leader in science and technology.

In March 2025, the Company took the lead in applying for the Ministry of Industry and Information Technology's 2025 Artificial Intelligence Medical Device Innovation Mission project of MIIT in collaboration with universities and medical institutions, jointly carrying out the R&D and application of an intelligent rehabilitation therapy product, the Lower Limb Walking-Assist Robot. Through joint collaboration among medical institutions, engineering teams, and industry, the Company integrates clinical needs with innovative technologies to develop products, thereby advancing high-end medical devices that deliver meaningful benefits to patients.

In June 2025, the Company applied for the Beijing Natural Science Foundation–Changping Innovation Joint Fund project, Research and Evaluation of Additive Manufacturing Optimization and Bioactive Coating Technology for Anterior Thoracolumbar Interbody Implants. Through coordinated efforts between medical and industry, the project proposes innovative approaches to realize the perfect matching between bioactive coatings and metal substrates.

In July 2025, the Company applied for the China Simulation Society Science and Technology Award for a project titled "Key Technologies and Applications of Personalized Human Organ Modeling and Real-Time Surgical Simulation Guidance". Leveraging the medical image processing software jointly developed with a university, the Company won the First Prize for Innovation Technology from the China Simulation Society in 2025. This award also represents the society's recognition of the Company's innovative R&D capabilities.

In 2025, the Company filed 56 new invention patent applications and was granted 42 invention patents. As of the end of the reporting period, the Company held a total of 191 valid invention patents, establishing a comprehensive intellectual property protection framework. Multiple core patents have been applied in the Company's principal products, including spinal and joint implants and intelligent rehabilitation devices.

In conducting scientific research activities, the Company strictly complies with clinical trial compliance requirements and ethical standards. The Company conducts research on orthopedic implants in accordance with regulations including the Good Clinical Practice for Medical Devices, Inspection Points and Determination Principles for Medical Device Clinical Trial Projects, and the Measures for the Supervision and Inspection of Medical Device Clinical Trial Institutions (Trial), ensuring that its work meets regulatory requirements and adheres to the highest ethical and scientific standards.

The Company strictly complies with the Notice on the Measures for the Ethical Review of Science and Technology (Trial) issued by the Ministry of Science and Technology of the People's Republic of China together with other departments. It has established a Science and Technology Ethics Committee and formulated the Charter of the Science and Technology Ethics Committee, clearly defining the committee's organizational structure, duties and authority, and rules of procedure. The committee has 7 members, including 1 chair and 6 deputy chairs. Its core responsibilities are to conduct prior reviews of proposed science and technology activities; make decisions to approve, approve subject to modification, require resubmission for review after modification, or reject proposals; conduct tracking and supervision throughout the entire process; and provide consultation and training on ethical risks.


荣誉证书

2025 年度中国仿真学会科学技术奖

为表彰中国仿真学会科学技术奖获得者，特颁发此证。

获 奖 项 目：个性化人体器官建模与手术实时仿真引导关键技术及应用

奖励类别及等级：创新技术奖一等奖

主 要 完 成 人：解风宝

证 书 编 号：2025-B-1-04-12

中国仿真学会

二〇二五年制

During the reporting period, the Company did not engage in any conduct that violated science and technology ethics. In terms of carbon emissions, the Company will increase its R&D efforts and investment in low-carbon technology and related products.

1. The 50th Arab International Medical Equipment Exhibition (ArabHealth)

   From 27 to 30 January 2025, the 50th Arab International Medical Equipment Exhibition (ArabHealth) was held at the Dubai International Exhibition Center, where Chunli Medical presented a range of products. Leading regional and international orthopedic experts, managers of medical institutions, and industry peers gathered at the booth of Chunli Medical to explore the limitless possibilities of digitalized and precision-driven orthopedic healthcare.

2. 90th Annual Meeting of the American Academy of Orthopaedic Surgeons (AAOS)

   From 1 to 7 March 2026, Chunli Medical participated in the AAOS Annual Meeting held in the United States. This event focused on cutting-edge technologies and global clinical practices in the orthopaedic field, with topics covering core areas including joint arthroplasty, spine surgery, sports medicine, orthopaedic trauma, and robotic navigation systems, which is highly aligned with Chunli Medical's R&D and internationalization strategy for orthopaedic implants.

3. 57th MEDICA Trade Fair, Germany

From 17 to 20 November 2025, MEDICA 2025 was held at Messe Düsseldorf Exhibition Center in Düsseldorf, Germany. This event focused on cutting-edge global medical technology and clinical application practices, with thematic modules covering intelligent orthopaedics and surgical robotics, prosthesis technology and material innovation, orthopaedic rehabilitation assistive systems, as well as global medical supply chain and market compliance. The theme of the exhibition is highly aligned with Chunli Medical's R&D direction, and Chunli Medical showcased its full core orthopaedic product portfolio and innovative technologies at the event.

PRODUCT QUALITY AND SAFETY

The Company is principally engaged in the research, development, manufacturing, and sale of orthopedic medical devices, and its business is closely tied to patients' health. The Company adheres to the quality policy of "Treating products as if they were for our own use and pursuing continuous innovation". It strictly complies with laws and regulations including the Regulations on the Supervision and Administration of Medical Devices, Good Manufacturing Practice for Medical Devices, and the Measures for the Administration of Medical Device Recalls. It has established a sound quality management system, along with the corresponding procedures and policies, has passed GMP compliance review, and has obtained ISO13485 certification.

To ensure quality control over products throughout all stages of incoming inspection, in-process inspection, finished product inspection, product release, and returned product inspection, and to ensure the compliance and effectiveness of the product inspection process, the Company has formulated the Product Quality Control Procedure. The Procedure specifies that quality inspection process is mainly divided into four categories, being incoming inspection, in-process inspection, finished product inspection, and returned product inspection, which fully covers the full-process quality control of products from purchase to return. To comply with the relevant requirements of the National Medical Products Administration on adverse event monitoring, product recalls, and the issuance of advisory notices, and to standardize activities related to adverse event monitoring, product recalls, and the issuance of advisory notice for its products marketed domestically, the Company has established the CE Device System, Adverse Events, Product Recall, and Advisory Notice Issuance Procedure. The Procedure explicitly stipulates that where a product recall is confirmed and approved to be necessary, the Quality Management Department shall be responsible for completing the Medical Device Recall Event Report Form, issuing product recall information to all relevant customers through the Marketing Department, Sales Department, International Department, and other relevant departments, while reporting it to the competent drug supervision management department as required. In addition, the Quality Management Department shall conduct full-process tracking of the implementation of product recalls, to ensure that all products subject to recall are disposed of in a normative and compliant manner, thus safeguarding the safety of the public during use. To realize effective management on customer property controlled or used by the Company, including identification, verification and protection of customer property, the Company has formulated the Customer Property Control Procedure to ensure the safety and integrity of customer property while under management and control of the Company. During the reporting period, the Company did not have products sold or shipped subject to recalls for safety and health reasons.

During the reporting period, the Company did not received any complain. To continuously improve product quality, the Company has formulated the Customer Property Control Procedure. The Quality Management Department will take the lead in conducting root cause analysis and implementing corrective and preventive measures. We continuously convert market feedback into input for internal quality improvement, driving the ongoing enhancement of product performance and user experience.

INFORMATION SECURITY

The Company places great importance on information security for both the business and its employees. In line with its strategic development, it has established internal policies such as the Encryption Software Management Measures and deployed an encryption software system to prevent the leakage or loss of important materials, including drawings, product technical parameters, patents, and employee information. These measures help safeguard company data, mitigate the risk of unauthorized external disclosure, and ensure information security.

The Company has established dedicated intellectual property systems to ensure the information security of intellectual property, strengthen its intellectual property protection framework, and enhance its core competitiveness. The Company strictly complies with the Patent Law of the People's Republic of China, the Implementing Regulations of the Patent Law of the People's Republic of China, and other national laws and regulations. It also follows its internal policy, the Intellectual Property Management System of the R&D Department (Trial), to further safeguard the information security of intellectual property.

As one of the leading orthopedic medical device companies, the Company is also a national manufacturing champion enterprise in the Artificial Joint Implants segment. The Company's various data are all encrypted using encryption software. Data security management is uniformly implemented through encryption software and the Company's internal approval procedures. All of the Company's data is stored in encrypted files, accessible internally within the Company but blocked from external access. Files may be sent externally only after a decryption request has been submitted and approved; otherwise, third parties will be unable to open the Company's internal encrypted files. Likewise, we encrypt customer information, and third parties cannot access it unless it has been decrypted.

The Company had no data security incidents during the year. To address potential data security incidents, the Company will adopt measures including, but not limited to, the following: (1) provide new employees with training on data security incidents; (2) provide annual data security training for existing employees; (3) integrate security compliance into the entire process of medical device research and development, production, and sales; (4) establish, strengthen, and further improve the approval process for transferring data files; (5) build a data security system based on defense in depth; (6) prepare for mandatory security incident reporting.

The Company did not experience any customer privacy breach incidents during the year. To address and prevent such incidents, the Company will implement measures including but not limited to the following: (1) strictly comply with the Personal Information Protection Law of the People's Republic of China and the Data Security Law of the People's Republic of China; (2) collect only the information necessary for the intended purpose and avoid excessive collection; (3) implement data access controls and strictly manage permissions to ensure that only authorized personnel can access sensitive data; (4) provide regular privacy protection training to employees to enhance security awareness.

SUSTAINABLE SUPPLY CHAIN

A stable, sustainable, and ESG-compliant supply chain is the cornerstone of corporate development. The Company has built mutually beneficial, trust-based partnerships with its suppliers, applies diligent supplier management practices, and works with suppliers to achieve win-win outcomes, thereby creating a sustainable supply chain system.

The Company strictly complies with the laws and regulations in the jurisdictions where it operates. As one of the leading companies in the orthopedic implant industry, it upholds the quality policy of "Treat every product as if it were for our own use, and pursue continuous innovation", and incorporates regulations such as the Regulations on the Supervision and Administration of Medical Devices, the Good Manufacturing Practice for Medical Devices, and the Measures for the Administration of Medical Device Recalls into its sustainable supply chain system. The Company has established a comprehensive quality management system, along with corresponding procedures and policies, and has passed GMP and obtained ISO 13485 certification.

To achieve full-process quality control and management of products from incoming, production process, release of finished products to return and disposal, and ensure that all inspection links are compliant and effective, the Company has formulated the Product Quality Control Procedure, which implements unified and standardized management of incoming inspection, in-process inspection, finished product inspection and returned product inspection. To meet the regulatory requirements of the National Medical Products Administration on adverse event monitoring, product recall and advisory notices, the Company has established the Procedure for CE Device System, Adverse Events, Product Recall and Issuance of Advisory Notices. It specifies that after the initiation of a product recall, the Quality Management Department shall complete and submit the recall report form in accordance with regulations, coordinate with the marketing, sales and international business departments to issue recall information to customers, and report to the regulatory authorities in a timely manner. Meanwhile, the Department conducts full-process tracking of the recall implementation, standardizes the disposal process, and ensures the safety of product use. To effectively manage and control customer property within the scope of the Company, the Company has formulated the Customer Property Control Procedure, which implements full-process management of the identification, verification, protection and maintenance of customer property, to ensure that it is safety and integrity under management and control of the Company.

With zero major supply chain risks, zero disruptions in the supply of critical materials, 100% supplier compliance, and end-to-end traceability as its core objectives, the Company has established a closed-loop risk management mechanism of identification — assessment — response — monitoring — improvement to comprehensively guard against supply chain risks related to quality, compliance, delivery, environmental protection, labor, and other areas.

At the same time, the Company places great importance on protecting suppliers' rights and interests. The Company has established a rigorous supplier onboarding system and a fair, impartial evaluation framework, and conducts regular supplier performance assessments. In 2025, all of the Company's suppliers were onboarded and managed in accordance with the above uniform practices, achieving a 100% compliance coverage rate.

The Procurement Department is responsible for gaining a comprehensive understanding of the basic profile of relevant suppliers in the market, screening prospective suppliers that meet the Company's procurement needs, and requiring suppliers to provide below relevant materials truthfully and completely: (1) supplier qualification documents, and companies in special industries must also provide the corresponding industry-specific qualifications; (2) documents related to the quality management system, which demonstrate that the supplier has a sound quality control system; (3) technical documentation related to the purchased items; (4) assurance documentation related to the quality of purchased items, so as to ensure that the products meet procurement requirements and relevant national and industry standards.

Supplier qualification follows a strict process: selection of candidate suppliers; document submission; sample testing; small-batch trial production; qualification review; joint evaluation; approval and record filing; The contract execution process follows a closed-loop workflow, with standardized operations and retained records at every stage to ensure the access approval process is fair, impartial, and compliant.

To ensure that purchased materials meet requirements and to maintain control over the procurement process and suppliers, the Company has established the Procurement Control Procedure in accordance with applicable laws and regulations. This procedure applies to the procurement of materials required for the Company's production, the control of outsourced sterilization, and the selection, evaluation, and control of suppliers of the raw materials and production auxiliary materials required by the Company.

The Procurement Department, guided by the objective of building a sustainable supply chain, strictly implements the mechanism for supplier access, evaluation and dynamic management. In accordance with the "Supplier Audit System", it conducts supplier audits and carries out on-site inspections when necessary. It jointly conducts comprehensive reviews with the production, R&D, quality and other relevant departments, selects the best-performing suppliers for inclusion in the Qualified Supplier List, and completes approval procedures in accordance with delegated authority. The Department conducts routine monitoring and regular re-evaluation of changes in suppliers' qualifications, business conditions and compliance performance, dynamically updates evaluation results, continuously optimizes the supplier structure, and enhances the stability and sustainability of the supply chain.

In 2025, a total of 214 suppliers were included in the Company's Qualified Supplier List. The proportion of northern suppliers was 48.13%, while the southern suppliers accounted for 51.87%.

To optimize supplier management, strengthen supply chain performance, identify environmental and social risks in the supply chain, and encourage suppliers to make greater use of environmentally friendly products and services, the following measures will be implemented in the next phase: (1) establish a risk identification system and checklist; (2) conduct supplier audits, screening, and evaluations; (3) establish early warning mechanisms and contingency plans; (4) strengthen communication and enforce rigorous corrective action and controls; (5) incorporate environmental indicators into procurement standards and give priority to environmentally friendly suppliers; (6) establish an environmental rewards and penalties mechanism and strictly address non-compliance; (7) empower suppliers through collaboration and promote their green transition; (8) strengthen supervision and performance assessment and urge timely rectification.

EQUAL TREATMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES

As a leading company in China's orthopedic medical device sector, Beijing Chunlizhengda Medical Instruments Co., Ltd. fully recognizes that a healthy, stable, and trust-based supply chain system is essential to the Company's sustainable development and to a sound industry ecosystem. We are committed to upholding the principles of fairness, impartiality, and transparency in procurement, partnerships, and business dealings, opposing all forms of discrimination and unreasonable treatment, and ensuring that small and medium-sized enterprises have equal opportunities to participate in competition and cooperation. The Company has developed and implemented the Supplier Code of Conduct, making the equal treatment of business partners, especially small and medium-sized enterprises, an integral part of its core business ethics and supply chain management strategy.

I. Fair and transparent procurement and cooperation mechanisms

Open and equal access opportunities: We publish procurement and partnership requirements through multiple channels, including public tendering and selective invitations to bid, ensuring that information is disclosed openly and transparently to all potential partners, including small and medium-sized enterprises. The tendering and bid evaluation process strictly follows established standards, using quality, technology, service, compliance, and commercial terms as the primary evaluation criteria, without differentiating based on company size.

Standardized and non-discriminatory terms: In cooperation agreements signed with suppliers, including small and medium-sized suppliers, we strive to ensure fair and reasonable terms that clearly define the rights and responsibilities of both parties. We avoid imposing market access requirements or discriminatory terms that place undue burdens on small and medium-sized enterprises, and we maintain reasonable and consistent payment cycles, performance requirements, and other arrangements to support healthy cash flow.

Accessible communication and grievance channels: The Company has established a dedicated supply chain management department and public communication channels for partners. Any supplier, especially small and medium-sized enterprises, may raise concerns or report any suspected unfair treatment encountered during the course of cooperation. We are committed to investigating such matters promptly and handling them fairly to ensure these communication channels remain effective.

II. Proactive Support and Capacity Building

Technical collaboration and standards alignment: We recognize the unique value that small and medium-sized enterprises bring in innovation and flexibility. While ensuring compliance with regulatory requirements and the Company's rigorous quality standards, we help promising small and medium-sized suppliers enhance their technical expertise and compliance capabilities through technical exchanges, standards guidance, and quality system support, thereby jointly safeguarding supply chain reliability and product safety.

Commitment to collaborative development and stability: For outstanding small and medium-sized enterprise suppliers with whom we have established long-term partnerships, we aim to provide stable business prospects through medium- and long-term contracts and other means, supporting their planning and development. Within the Company's strategic procurement framework, all else being equal, priority is given to deepening cooperation with existing compliant and reliable SME partners.

Training and resource sharing: We organize supplier training sessions on a regular and ad hoc basis, covering topics such as quality management systems, EHS requirements, business ethics standards, and updates to industry regulations. These sessions are open to partners of all sizes, helping SMEs strengthen their overall management capabilities and awareness of Sustainable Development.

III. Achievements and Future Outlook

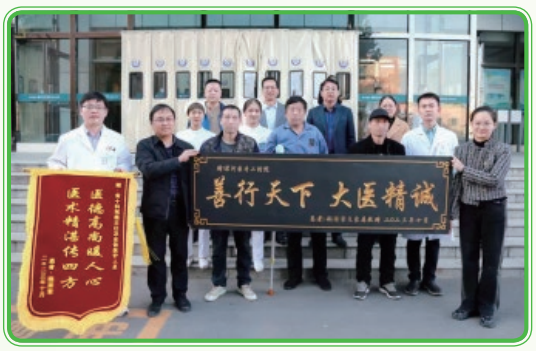
Current state of cooperation: As of the reporting period, our supply chain system covers multiple critical areas, including raw materials, precision components, and technical services, and constitutes an indispensable part of the Company's supply chain.

Future Commitment: Looking ahead, Chunlizhengda will continue to optimize its supplier management system and further integrate ESG factors into its supplier evaluation and selection processes. We will explore more initiatives to empower our SME partners, such as promoting green supply chain collaboration and delivering more customized capacity-building programs, with the aim of building a more resilient and inclusive industry value chain, growing together with all partners, and creating long-term value for society.

SOCIAL CONTRIBUTION

The Company is a leading domestic joint implant manufacturer. Its artificial joint products are positioned in the high-end segment of the domestic market, with sales ranking among the leaders in China, and each year they help alleviate pain for many patients. For more than twenty years, the Company has remained committed to developing, manufacturing, and providing products that deliver comprehensive joint solutions, bringing hope to orthopedic patients in China.

In recent years, the number of patients undergoing artificial joint replacement surgery has continued to grow, but the cost of surgery has prevented some low-income patients from receiving effective treatment. For these reasons, in 2009 our Company and the China Charity Federation jointly launched the "Chunli Sunshine Program", hoping that through the combined efforts of Chunli Medical, the China Charity Federation, and the designated hospitals participating in the "Chunli Sunshine Program", the suffering of low-income patients with joint diseases could be alleviated as soon as possible. The "Chunli Sunshine Program" is now marking its sixteenth year, with donated prostheses totaling RMB20 million. Currently, 80 hospitals nationwide have been designated as participating hospitals for the program. This ensures that financially disadvantaged patients not only receive assistance, but also benefit from the best possible surgical treatment.



In 2025, extreme rainfall struck many parts of the country. Severe flooding and waterlogging hit multiple areas in Beijing and Hebei, disrupting roads and power supplies and causing serious flood damage that greatly affected people's work and daily lives. When disaster strikes, help comes from all sides. The Party branch, labor union, and company leadership of Chunli Medical have been closely monitoring this disaster and immediately contacted the relevant departments in Beijing and Hebei to actively carry out disaster relief donations and support the affected areas. Chunli Medical actively fulfilled its social responsibilities and took concrete action to contribute to flood control and disaster relief efforts for people in the affected areas. After learning of the shortage of essential supplies in Zhuozhou City and Yi County, it urgently arranged to procure and deliver more than 820 boxes of relief supplies, including instant noodles, mineral water, ham sausages, marinated eggs, milk, and disinfectant, to the disaster-stricken areas in the shortest possible time, helping local residents through the crisis.

During the reporting period, the types of public welfare and charitable activities carried out and related contributions:

Type	Quantity	Description
Donations		
Of which: Funds (RMB10,000)	56.04	1. Sichuan University Education Foundation. 2. Anhui Hongde Shanyi Medical Development and Medical Assistance Foundation. 3. Zhongguancun Zhongke Science and Technology Innovation Development Foundation. 4. Donated flood-control and disaster-relief supplies to disaster-stricken areas in Yi County, Hebei.
Value of supplies converted into cash (RMB10,000)	4.43	

RURAL REVITALIZATION

The Company fully recognizes the importance of both corporate and community development and has integrated community contributions into its corporate development. Over the years, the Company has actively partnered with various charitable organizations and made donations in different forms, such as to The Community Chest of Hong Kong and the China Health Promotion Foundation. The Company is proud of the work it has done to give back to the community. In 2018, the Company donated to the collective economy support project for the "Two Assurances and Three Guarantees" program in Sumu Town through the Korqin Right Middle Banner Red Cross Society, and received a donation certificate, Certificate No. Youhongjuan [2018] No. 21. In 2019, the branch carried out a Spring Festival outreach campaign themed "Staying true to our original aspiration, keeping our mission firmly in mind, bringing warmth, and offering love". Through a paired support initiative, it brought care to Ji Gezhuang in Tongzhou District and visited two households facing hardship. One household, surnamed Bai, included a person with physical disabilities and multiple illnesses who requires long-term medication and lives in difficult circumstances. The other, surnamed Zhang, was a mother-and-daughter household in which both members had disabilities, required long-term medication, and were unable to care for themselves. Rice, flour, cooking oil, and other daily necessities were delivered to each household to help address their practical needs.

Since August 2009, the Company has been working with the China Charity Federation on a key medical initiative—the "Chunli Sunshine Program"—to provide impoverished patients with severe joint diseases with the internal fixation materials required for free artificial joint replacement surgery. Over the past decade and more, the Chunli Sunshine Program charitable initiative has established partnerships with nearly 80 designated hospitals in 22 provinces, municipalities, and autonomous regions across China. The assistance program has successfully carried out hundreds of artificial joint replacement surgeries, helping patients alleviate pain and reduce their medical burden, and has received a strong positive response from society. In 2024, the Company continued to provide free artificial joint and internal fixation materials to impoverished patients suffering from illness through the "Chunli Sunshine Program", helping to ease patients' pain and reduce their medical burden.

Society: Responsibility and Commitment, Value Sharing

Since 2019, the Company has actively responded to calls for voluntary blood donation and translated that commitment into action. In the spirit of unity, friendship, and mutual support, it has organized at least one blood donation event with more than 100 participants each year, helping critically ill patients through blood donations while demonstrating corporate compassion and fulfilling its social responsibilities. In 2022, in response to the nationwide pandemic, our Company acted swiftly and donated a large quantity of COVID-19 prevention supplies to Huoxian Town to support its pandemic prevention and control efforts. Our Company places great importance on talent development and education, actively supports education in Huoxian Town, and participated in the charitable initiative "2022 Huoxian Town Enterprise Public Welfare Alliance Supporting Outstanding Gaokao Students", providing financial assistance to two outstanding 2022 Gaokao graduates, both of whom were commended by the People's Government.

In 2023, in response to nationwide flooding, our Company acted swiftly and donated flood relief and epidemic prevention supplies totaling over RMB100,000 to disaster-stricken areas in Beijing and Hebei to support flood control and disaster relief efforts.

In 2023, the Company donated RMB30,000 to the Social Assistance Comprehensive Service Center of Ongniud Banner, Chifeng, Inner Mongolia.

In 2024, the Company actively answered the Party's call, fulfilled its social responsibilities, and made external donations totaling RMB52,350.92. Of this amount, the Company donated RMB20,000 to the Zhejiang University Education Foundation, the Chunli Sunshine Program donated RMB2,350.92 for public welfare, and RMB30,000 was donated to the Social Assistance Comprehensive Service Center of Ongniud Banner.

In 2025, Baoding, Hebei suffered devastating damages from heavy rainfall that caused severe flooding. The Company responded swiftly and urgently organized relief supplies and rushed support to the affected area, bringing warmth and steadfast strength to disaster-affected residents and reconstruction efforts.

In addition, as Weixian in Hebei was formerly a nationally designated poverty-stricken county, the Company has actively fulfilled its social responsibilities by establishing a wholly owned subsidiary, Hebei Chunli Hangnuo New Materials Technology Co., Ltd., in the Weixian High-tech Industrial Development Zone. The subsidiary specializes in the R&D, production, and sales of precision blank components for Artificial Joint Implants. Its products span four major categories—shoulder, elbow, hip, and knee—and include cobalt-chromium-molybdenum alloy blanks and titanium alloy blanks, with an annual production capacity of up to 1.5 million units. This has enabled Chunli to contribute its strength to rural revitalization and development in Weixian, Hebei.

GRI 2: General Disclosures 2021		
The organization and its reporting practices		
2-1	Details of the organization	Company Overview and Corporate Development
2-2	Entities included in the organization's sustainability report	Report Introduction
2-3	Reporting period, frequency, and contact point	Report Introduction
2-4	Restatement of information	Report Introduction
Governance		
2-9	Governance structure and composition	ESG Governance Structure
2-12	The role of the highest governance body in overseeing the management of impacts	ESG Oversight
2-13	Delegation of responsibility for managing impacts	ESG Work Support
2-14	The role of the highest governing body in the sustainable development report	Statement from the Board of Directors
2-16	Communication of material concerns	ESG Governance Structure
Strategy, policies and practices		
2-22	Statement on the sustainable development strategy	Chairman's Message
2-24	Integrating policy commitments	ESG Governance
2-26	Mechanisms for seeking advice and raising concerns	Stakeholder Communication
Stakeholder Communication		
2-29	Approach to stakeholder communication	Stakeholder Communication
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	Material Topics
3-2	List of material topics	Material Topics
3-3	Management of material topics	Material Topics
Economics		
GRI 201: Economic Performance		
201-2	Financial implications and other risks and opportunities due to climate change	Climate Change Response
GRI 205: Anti-corruption		
205-2	Communication and training on anti-corruption policies and procedures	Anti-Corruption and Bribery
205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption and Bribery
GRI 206: Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Fair Competition

Environment		
GRI 302: Energy		
302-1	Energy consumption within the organization	Energy Management
302-3	Energy intensity	Energy Management
302-4	Reduction of energy consumption	Energy Management
302-5	Reduction of the energy requirements of products and services	Energy Management
GRI 303: Water		
303-1	Interactions between the organization and water as a shared resource	Water Resource Management
303-2	Management of impacts related to water discharge	Water Resource Management
303-3	Water withdrawal	Water Resource Management
303-4	Water discharge	Water Resource Management
GRI 305: Emissions		
305-1	Direct (Scope 1) greenhouse gas emissions	Climate Change Response
305-2	Energy indirect (Scope 2) greenhouse gas emissions	Climate Change Response
305-4	Greenhouse gas emissions intensity	Climate Change Response
305-5	Reduction in greenhouse gas emissions	Climate Change Response
GRI 306: Waste		
306-2	Management of significant impacts related to waste	Waste Disposal
306-3	Waste generated	Waste Disposal
Social		
GRI 401: Employment		
401-1	Rate of newly hired employees and employee turnover	Employee Rights and Interests
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Rights and Interests
GRI 403: Occupational Health and Safety		
403-1	Occupational health and safety management system	Occupational Health and Safety
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
403-3	Occupational health services	Occupational Health and Safety
403-4	Occupational health and safety matters: worker participation, consultation, and communication	Occupational Health and Safety
403-5	Occupational health and safety training for workers	Occupational Health and Safety

403-6	Promoting worker health	Occupational Health and Safety
403-7	Preventing and mitigating occupational health and safety impacts directly linked to business relationships	Occupational Health and Safety
403-9	Occupational injury	Occupational Health and Safety
403-10	Work-related health problems	Occupational Health and Safety
GRI 404: Training and Education		
404-1	Average hours of training per employee per year	Employee Training and Development
404-2	Employee skills enhancement program and transition assistance program participation	Employee Training and Development
404-3	Percentage of employees receiving regular performance and career development reviews	Employee Training and Development
GRI 414: Supplier Social Assessment		
414-1	New suppliers screened using social criteria	Sustainable Supply Chain

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