ARRAIL瑞尔®

Fabulous Smile . Confident You

Arrail Group Limited

(Incorporated in the British Virgin Islands with limited liability and continued in the Cayman Islands)
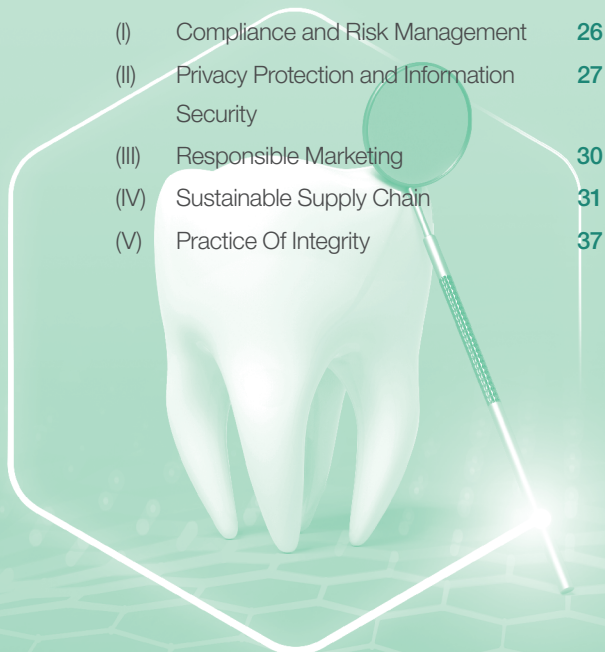
Stock Code: 6639

2024/25
Environmental, Social and Governance Report

Contents

I. About This Report

Arrail Group Limited (hereinafter "**the Company**"), and its subsidiaries (hereinafter "**Arrail Group**", "**the Group**" or "**we**") publish the Environmental, Social and Governance Report (hereinafter "**ESG Report**" or "**this report**") for the year 2024/25 to objectively and fairly describe our ESG concept, practices and key achievements. It is advised to read the governance contents together with the chapter of Corporate Governance Report in the Group's *Annual Report for the Year 2024/2025*, to obtain more comprehensive information.

REPORTING SCOPE

This report covers the period from April 1, 2024 to March 31, 2025 (hereinafter "**this year**") and may include matters beyond the period to maintain the continuity of information. This year, our clinics and hospitals offered a diverse range of professional and customized dental services. This report summarizes the performance of the Group in respect of corporate social responsibility, covering the above principal operating activities. Considering the small scale of the denture production factory of the Group, which accounts for only 1% of the operating revenue, this report covers the Company and all of its subsidiaries except for the denture production factory, and all amounts of currency involved in this report is denominated in Renminbi ("RMB").

INFORMATION SOURCES

The information in this report is obtained from the Group's relevant internal statistical reports, company's documents and reports, stakeholder surveys and interviews, etc. Emission and energy indicators are counted and calculated in accordance with national regulations or international standards.

REPORTING LANGUAGE

This report is published in both Chinese and English. In case of any inconsistency between the two versions, the Chinese version shall prevail.

PREPARATION REFERENCE

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Code* (the "**ESG Reporting Code**") set out by the Hong Kong Stock Exchange and discloses content and data relating to ESG issues pursuant to the principles of materiality, quantitative, balance and consistency as well as the "comply or explain" provisions in the ESG Reporting Code.

"Materiality": In preparing this report, the Group has identified key stakeholders and key ESG issues of their concern and made targeted disclosure according to the materiality of these issues.

"Quantitative": In this report, the key performance indicators (KPIs) in respect of environment and social are shown in the form of quantitative data, and the measurement standards, methods, hypothesis and/or calculation tools, source of conversion coefficient for the KPIs are explained in their respective places.

"Balance": This report presents the Group's ESG performance in an objective and unbiased manner, avoiding selections, omissions, or presentation formats that may inappropriately influence the decisions or judgements by the report reader.

"Consistency": Unless otherwise stated, the KPIs and statistical methods disclosed in this report are consistent with those in the *Environmental, Social and Governance Report for the year 2023/24* of the Group.

REPORT ACCESS

This report is available on the website of the HKEX (https://www.hkexnews.hk) and the Investor Relations page of the Group's official website (https://arrailgroup.vislan.com). If you have any suggestions or comments regarding the ESG management of Arrail Group, please contact us by email at ir@arrailgroup.com.

II. About Arrail Group

(I) COMPANY PROFILE

The Group is a leading oral healthcare service provider in China, dedicated to bringing healthy and confident smiles to every patient. Since its inception in 1999, Arrail Group has consistently upheld high-end service quality. On March 22, 2022, the Group successfully listed on the Hong Kong Stock Exchange (stock code: 6639), becoming the first dental specialist chain enterprise in Hong Kong and the first nationally branded and listed oral healthcare company in China.

Leveraging a dual-brand strategy featuring "Arrail Dental" (a high-end brand) and "Rytime Dental" (a mid-range brand), we provide professional oral healthcare services that cater to patients' needs across their entire lifespan, covering areas such as general dentistry, orthodontics, and implant dentistry. Currently, the Group operates 118 directly-managed dental clinics and hospitals across 15 cities nationwide, equipped with 1,566 dental chairs and staffed by 999 experienced full-time dentists, having served a cumulative total of over 12 million patients.

Arrail Dental	Rytime Dental
Arrail Dental is a leading premium dental services brand in China, consistently committed to providing top-tier oral healthcare services to consumers in China's first-tier and emerging first-tier cities. Currently, Arrail Dental clinics has set up 48 outpatient clinics nationwide, mainly located in renowned landmarks and prestigious properties, boasting exceptional doctors, high-end diagnostic and treatment facilities, a comfortable treatment environment, as well as stringent quality control standards. It is Arrail Dental's mission to deliver exceptional oral healthcare experiences to its clients.	Rytime Dental commenced operations in 2012, embracing medical quality as the cornerstone of its enduring success and shouldering the mission of safeguarding the oral health of a greater number of people in China. Rytime Dental operates 11 hospitals and 59 clinics, primarily targeting middle-class consumers in first-tier cities and key second-tier cities. Most of its facilities are located in densely populated residential areas, offering high-quality oral healthcare services at more affordable prices across a broader geographical reach, enabling customers to easily access convenient and premium oral care services.

Since our inception, we have held the vision of "becoming a world-leading oral healthcare service group", adhering to the values of "integrity, professionalism, and being a good person", and have practiced the service philosophy of "customer-centricity – treating customers as family". Through customized "moderate treatment" plans and a cohesive corporate culture, we have established long-term, mutually trusting relationships with patients, doctors, and partners.

The Group has consistently regarded sustainable development as its core strategy, working hand in hand with various stakeholders to jointly create long-term value. We drove collaborative development between the enterprise and society through six key initiatives.

Optimize medical quality and service standards consistently to provide patients with a safe, efficient, and humanized diagnostic and treatment experience

Strengthen technological research and development as well as its application to drive and lead industry advancement and growth

Adhere to honest and trustworthy business practices, refine the Group's governance system, and ensure the Group's compliance, transparency, and sustainable development

Implement environmental protection standards strictly, optimize resource utilization efficiency, and build a low-carbon, energy-efficient medical service system

Uphold the people-oriented development philosophy, foster an open and inclusive workplace environment, and cultivate a harmonious, stable, and progressive work atmosphere

Engage in social welfare initiatives actively, care for vulnerable groups, practice the concept of "business for good", and contribute to the sustainable development of society

We believe that a company's long-term development must be closely integrated with industry advancement and social well-being. Arrail Group will continue to promote innovation and create value through responsible action, thereby contributing to a sustainable future for patients, employees, partners, and society.

(II) GOVERNANCE STRUCTURE

The Board of Directors of the Group comprised five members – two executive directors and three independent non-executive directors, with different appropriate skills, knowledge and experience. The Group has established three committees under the Board pursuant to the laws and regulations of China and the regulations and corporate governance practice requirements under the Hong Kong Listing Rules, namely the Audit Committee, Remuneration Committee and Nomination Committee.

Name	Gender	Position	Audit Committee	Remuneration Committee	Nomination Committee
ZOU Qifang	Male	Executive director, chairman of the Board, and chief executive officer	–	–	–
ZHANG Jincai	Male	Executive director, chief medical officer, and general manager of hospitals and clinics	–	–	–
LIU Xiaomei Michelle	Female	Independent non-executive director	√	√	√
SUN Jian	Male	Independent non-executive director	√	√ *(Chairman)*	√ *(Chairman)*
ZHANG Bang	Male	Independent non-executive director	√ *(Chairman)*	√	√

The Group has always regarded board diversity as an important strategy for corporate governance, and promotes the sustainable development of the enterprise by building a diversified leadership team. In the selection process of board members, we focused on integrating differentiated advantages from multiple dimensions such as different industry skills and experience, regions, backgrounds, ethnicities, and genders, so as to fully unleash the value-creation potential of a diversified team. To ensure that the composition of the board is aligned with the enterprise's development strategy, the Group's Nomination Committee has established a sound evaluation mechanism, which conducts a comprehensive assessment of the board's structure, size, and personnel composition every year, and puts forward targeted optimization suggestions.

III. Sustainability Management

(I) STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of the Group is the top responsible and decision-making body for ESG matters, and it takes overall responsibility for the formulation and supervision of the Group's ESG strategy. The Board of Directors values the ESG governance and is committed to pursuing the harmonious development of the enterprise with society and nature.

Oversight of ESG matters: The Board of Directors has fully integrated ESG matters into the Group's governance framework, coordinating the entire process of ESG governance and information disclosure, specifically including: formulating the ESG management agenda, evaluating and defining the Group's ESG risk issues, and conducting systematic evaluations and reviews of the annual ESG work effectiveness.

ESG management principle and strategy: The Group has deeply integrated ESG governance requirements into its daily operation system, established a normalized ESG performance evaluation mechanism, and systematically identified and evaluated ESG-related issues and risks through regular internal reviews, in-depth analysis of macro-policy trends, and continuous close communication with stakeholders. On this basis, we prioritized and managed ESG-related matters and internal/external risks, regularly reported to the Board of Directors, clarified the key points of ESG governance and management strategies, so as to continuously improve the execution efficiency and optimization level of ESG work.

Review of ESG targets: The Board of Directors has continued to strengthen its supervision and involvement in the Group's ESG governance. For the year 2024/25, the management reported to the Board of Directors on the Group's ESG development direction for the next year and the future, covering review of the achievement of ESG targets in the previous year, the ESG targets for the next phase, opportunities and challenges arising from climate change, and the Group's measures.

This report was reviewed and approved by the Group's Board of Directors.

Board of Directors of Arrail Group Limited

III. Sustainability Management

(II) ESG CONCEPT AND MANAGEMENT

ESG MANAGEMENT STRATEGY

As a leading enterprise in China's oral medical service industry, the Group has always regarded Environment, Social and Governance (ESG) as the core driving force for its sustainable development. We ensured the stability and sustainability of enterprise operations by optimizing internal management processes and improving management efficiency, meanwhile, we established close partnerships with stakeholders to jointly explore new paths for sustainable development, pursuing harmonious coexistence among economic, social, and environmental aspects while achieving business objectives.

Core Strategy

Technological Innovation

Continuously increase investment in technological innovation, introduce advanced medical technologies and equipment, and enhance the competitiveness of products and services.

Low-carbon Operations

Adhere to the concept of low-carbon and environmentally friendly operations, continuously reduce carbon emissions and effectively minimize the negative environmental impact of operational activities by implementing measures such as energy conservation, emission reduction, and resource recycling.

Employees' Rights and Interests

Attach great importance to the protection of employees' rights and interests, and strive to build a high-quality talent team. By constructing an excellent working environment and career development platform, fully stimulate employees' creativity and work enthusiasm.

Collaboration with the Supply Chain

Build a mutually trusting and win-win partnership with suppliers, collaboratively promote the sustainable development process of the supply chain, and achieve value sharing and common growth between upstream and downstream of the industrial chain.

Service Quality

Continuously optimize the quality of medical services, accurately respond to customer needs, and enhance the enterprise's brand value and market competitiveness with professional services.
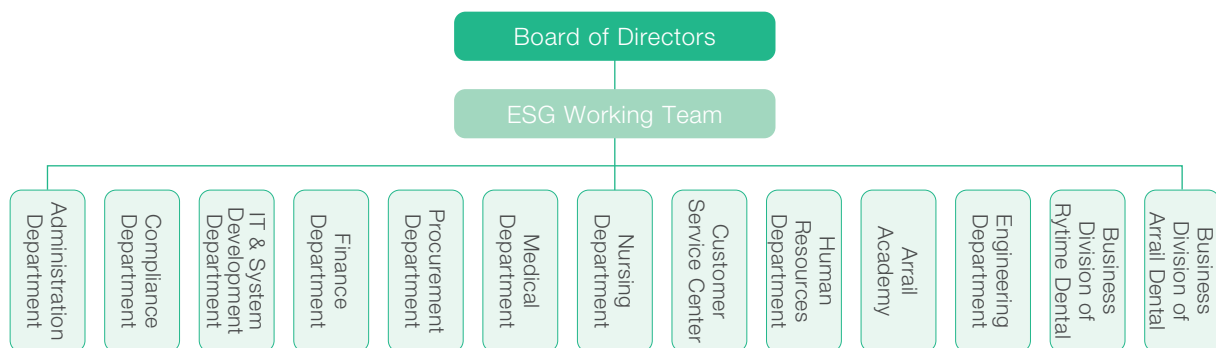
Social Responsibility

Actively fulfill social responsibilities, give back to society through diverse charitable and public welfare activities, and achieve the goal of "business for good".

ESG MANAGEMENT STRUCTURE

The Group has established a multi-level, cross-department, and top-down ESG management system to achieve effective ESG management. The Board of Directors as the core of decision-making, was responsible for setting the ESG management agenda, including making relevant decisions and monitoring the Group's ESG performance. We have also built an ESG management team comprising staff from relevant departments to implement the Group's ESG strategies and policies. Meanwhile, we have organized ESG capability trainings for the Board of Directors and relevant staff to enrich their ESG knowledge and support ESG-related practice.

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                        │  Board of Directors  │
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                        ┌──────────┴──────────┐
                        │  ESG Working Team    │
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Administration Department | Compliance Department | IT & System Development Department | Finance Department | Procurement Department | Medical Department | Nursing Department | Customer Service Center | Human Resources Department | Arrail Academy | Engineering Department | Business Division of Rytime Dental | Business Division of Arrail Dental

(III) STAKEHOLDER COMMUNICATION

The Group established a normalized communication mechanism to continuously collect the opinions and expectations of various stakeholders, carried out targeted communication and responded to feedback demands, and took the opinions obtained in the communication process as an important basis for optimizing ESG work. Based on its own business characteristics and the communication results with major stakeholders, we sorted out and formed a list of key ESG issues and corresponding communication feedback channels.

Key Stakeholders	Key ESG Issues of Concern	Main Communication and Feedback Channels
Governments and Regulatory Authorities	Emissions Labor standards Medical service quality Complaint and dispute management Patient rights protection Responsible marketing Anti-corruption	Information disclosure Official correspondence Onsite inspection Regulatory meeting Questionnaire
Shareholders and Investors	Medical service quality Climate change Intellectual property protection Patient rights protection Anti-corruption	Shareholders' meeting Information disclosure (annual reports and interim reports, performance announcements, corporate HKEX announcements, investor relations pages, etc.) Questionnaire

III. Sustainability Management

Key Stakeholders	Key ESG Issues of Concern	Main Communication and Feedback Channels
Employees, Directors, and Senior Management	Medical service quality Complaint and dispute management Patient rights protection Employment Health and safety Development and training Data security	Staff opinion survey Staff internal communication meeting Corporate internal announcements Questionnaire
Patients and Consumers	Medical service quality Complaint and dispute management Patient rights protection Community investment	Patient satisfaction survey and follow-up visit Daily operation/communication Complaint and feedback channels Questionnaire
Suppliers and Business Partners	Supply chain management Medical service quality Complaint and dispute management Patient rights protection Promoting industry development	Supplier management system Industry exchange Questionnaire
Media	Patient rights protection Responsible marketing Community investment Intellectual property protection	Performance release conference Press release communication
Local Residents and Public Welfare Organizations	Medical service quality Patient rights protection Responsible marketing Labor standards Community investment	Community activities Public welfare activities Daily operation/communication Questionnaire

(IV) MATERIALITY ANALYSIS

The Group has established a systematic mechanism for identifying ESG issues. Through various methods such as questionnaires, conference exchanges and in-depth interviews, we engaged in multi-dimensional and multi-level communications with stakeholders to comprehensively collect and analyze their key concerns and development expectations regarding the Group's environmental, social, and governance issues. Based on the feedback, we identified 18 ESG-related issues and formulated an analysis matrix of ESG material issues for the year 2024/25.
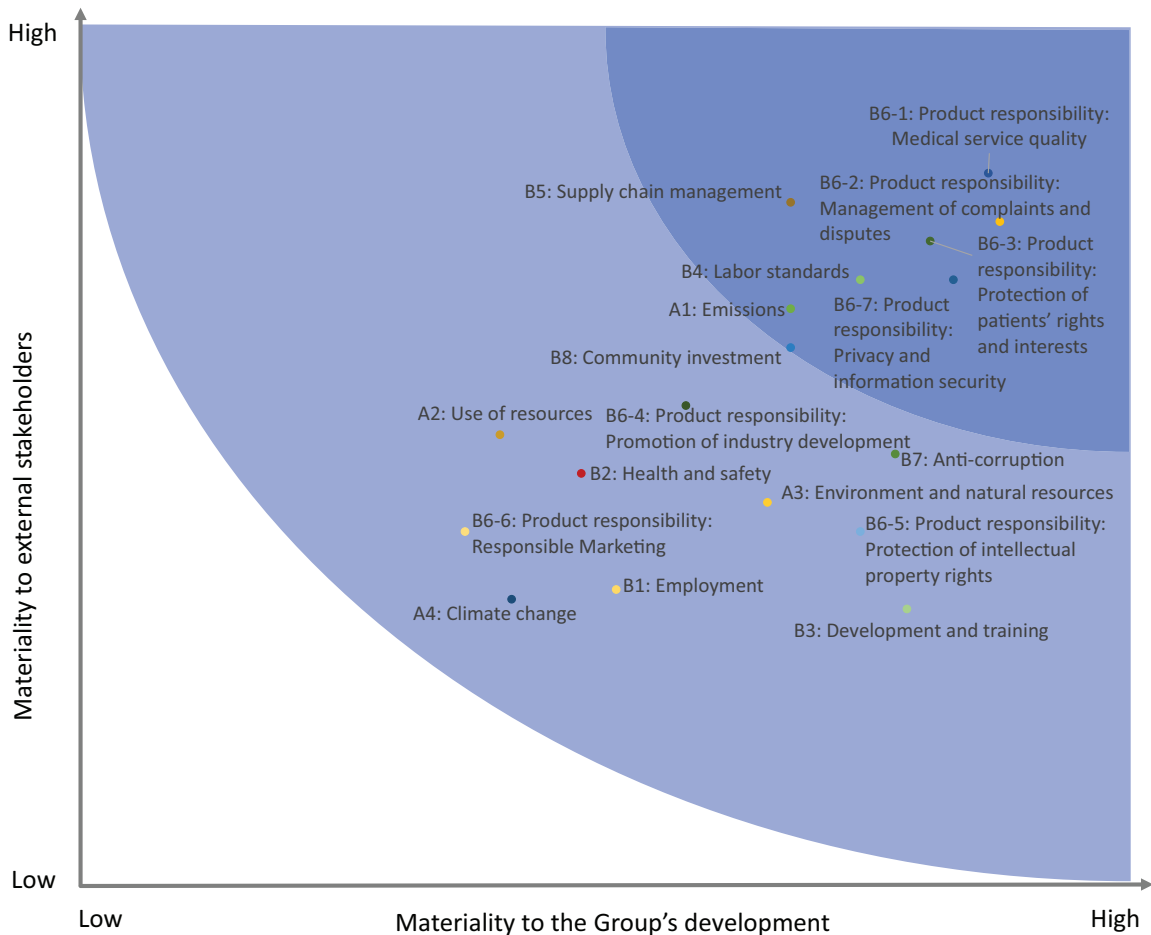
Matrix of ESG Material Issues

The Group identified 8 issues with high materiality, which were "B6-1 Product responsibility: Medical service quality" "B6-2 Product responsibility: Management of complaints and disputes" "B6-3 Product responsibility: Protection of patients' rights and interests" "B6-7 Product responsibility: Privacy and information security" "B5 Supply chain management" "B4 Labor standards" "A1 Emissions" "B8 Community investment"; 10 issues with medium materiality, including "B7 Anti-corruption" "B6-4 Product responsibility: Promotion of industry development" "A3 Environment and natural resources" "B6-5 Product responsibility: Protection of intellectual property rights" "B3 Development and training" "B2 Health and safety" "B1 Employment" "A2 Use of resources" "B6-6 Product responsibility: Responsible Marketing" "A4 Climate change". We address each of these issues in different sections of this report.

IV. Improving Medical Service Quality

The Group is committed to the mission of "providing healthy and confident smiles for the Chinese people", consistently upholds high standards for medical and service quality, actively addressing difficulties and resolving issues for our patients while offering them an exceptional diagnostic and treatment experience and fully safeguarding their rights and interests. Meanwhile, we leverage digital tools to enhance management efficiency, strengthen independent innovation, continuously improve our medical service standards, and accelerate the realization of our corporate vision to "become a world-leading oral medical group".

(I) MEDICAL QUALITY MANAGEMENT

The Group is committed to providing patients with safe, comfortable and one-stop oral diagnosis and treatment services to ensure that every customer can receive appropriate treatment. We have strictly complied with the *Civil Code of the People's Republic of China*, the *Administrative Measures for the Clinical Application of Medical Technologies*, the *Provisions on the Administration of Radiological Diagnosis and Treatment*, the *Law on Medical Practitioners of the PRC* and other laws and regulations, on the basis, we have formulated regulations and systems including the *Code of Practice for Dental Clinical Technologies*, the *Online Expert Consultation System of Arrail Group*, the *Expert Committee Duties of Arrail Group* and the *Regulations on Medical Quality Management*, to ensure good medical quality. This year, we introduced new institutional documents, namely the *Full-Process Manual of Diagnosis and Treatment Standards* and the *Full-Process Traceability Management Regulations for Medical Quality*, which clearly defined the quality standards for each link of diagnosis and treatment, including examination, treatment, and post-operation, as well as the mechanism of assigning responsibilities to specific personnel. In light of the industry characteristics of oral clinics, we also established clear medical quality control compliance guidelines and standard operating procedures to build a medical service quality management system suitable for our own needs.

THREE-LEVEL MANAGEMENT SYSTEM

We implemented a three-level management system consisting of the Group, branches/regions, and clinics, forming a comprehensive and multi-faceted management and supervision model. Meanwhile, we established expert committees for implantology, orthodontics, prosthodontics, pediatric dentistry, endodontics, periodontics, oral and maxillofacial surgery, and general dentistry. Under the leadership of the Group's Medical Affairs Committee, each committee undertook the responsibility of expert guidance to further ensure medical quality.

Management Responsibilities of the Group's Medical Department and Expert Committee – Medical Quality Management and Supervision Across the Group	Management Responsibilities of the branches/regions – Medical Quality Management and Supervision of Each Branch and Region	Management Responsibilities of the Clinics – Medical Quality Management and Supervision within Each Clinic
• Formulate the Group's development plan, oral medical operation specifications, and medical quality standards, and undertake technical guidance, clinical support, and professional teaching for the Group's oral medical work. • Establish quality control systems, conduct regular inspections and evaluations, propose improvement measures for identified issues, and check implementation. • Carry out technical demonstration of medical accidents for major medical dispute incidents, analyze the causes and put forward handling opinions. • Evaluate the introduction of new clinical materials, technologies, projects, and equipment, and provide professional assessment opinions. • Participate in recruiting high-level talents such as academic leaders and hospital directors, and provide assessment opinions on their academic level and clinical competence. • Develop learning and education systems for group doctors. • Participate in formulating promotion, reward, and punishment systems for doctors at all levels within the group.	• Conduct monthly medical quality inspections. • Hold a regional complex case discussion once a week. • Participate in the Group's online consultations and discussions on complex cases.	• Regularly hold morning and weekly meetings to supervise the implementation of internal medical systems. • Participate in regional complex case discussions and the Group's complex case discussions.

• Weekly reporting of failed implant/adverse cases.

• Handle medical-related complaints.

• Analyze and discuss medical adverse events and disputes and propose corrective measures.

• Recommend outstanding cases to the Group.

• Implement standardized training for young doctors.

• Organize academic lectures, teachings, and professional studies.

IV. Improving Medical Service Quality

THREE CORE SYSTEMS

To further enhance medical quality management, the Group implemented a series of medical quality systems, such as medical red line management, consultations for complex cases, specialty case grading and doctor grading, etc., to ensure medical quality and provide professional medical services to patients.

Medical Red Line Management System

The Group regarded the medical red line management system as a crucial management initiative for preventing medical risks, standardizing medical procedures, and safeguarding the quality of medical services. This system focused on the entire treatment process, regulating aspects such as medical record documentation and data collection for treatment items. It ensured that a unified standard has been applied across the entire Group for collecting treatment-related content from a diverse range of medical procedures.

To continuously enhance medical quality, the Group implemented a three-tier inspection system, clearly defining red line criteria and enforcing a three-level linkage assurance mechanism comprising clinic self-inspections, regional reviews, and group spot checks. The inspection results were published monthly to facilitate timely improvements by clinics, thereby achieving quality enhancement and supervision throughout the entire diagnostic and treatment process. We incorporated the scores derived from these inspection results into the performance evaluations of doctors, clinic directors, and regional deans, thereby strengthening the tracking and monitoring of medical quality and significantly reducing medical risks.

To ensure medical safety and compliance, the medical red line management system provided prompts to doctors based on the necessary attachments in medical records, including regulations on X-rays and CT scans, informed consent procedures, and oral photography requirements. This emphasized the necessity of preoperative notification by doctors and the importance of respecting patients' right to be informed. When errors or omissions were found in medical records, the medical and compliance departments would promptly notify the dentist and issue a mandatory "pre-operation verification" before they commenced any procedures. This verification confirmed the nature and method of treatment while providing a basis for subsequent diagnoses, enabling effective monitoring of medical quality and prevention of medical errors.
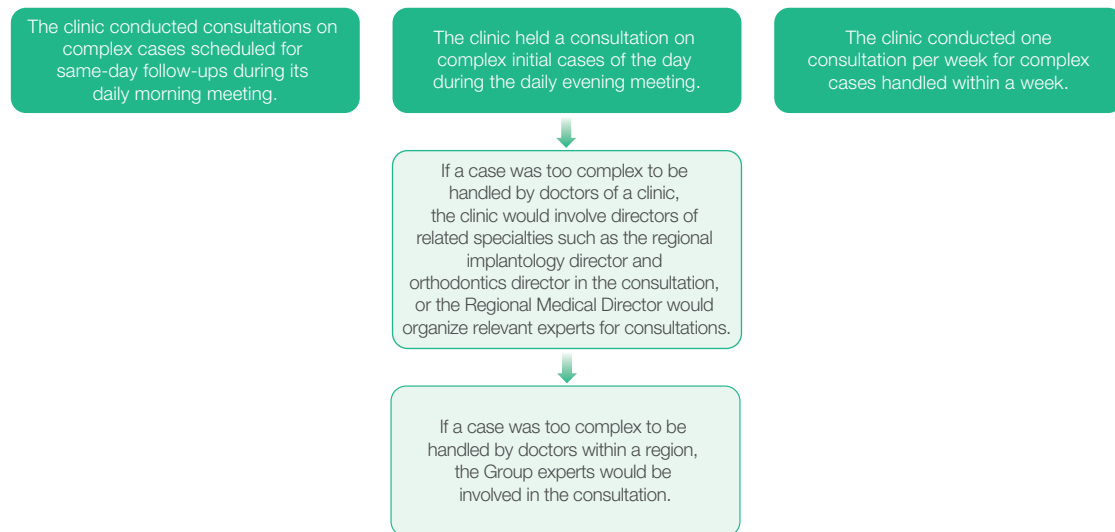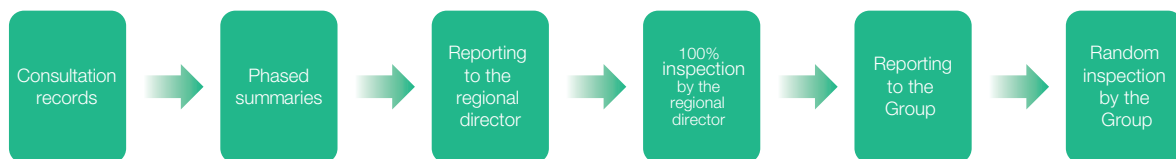
Consultation System for Complex Cases

To effectively address the shortage of medical resources in dental clinics caused by limited scale, small number of doctors, and difficulty in covering experts from all fields, the Group explicitly required all medical institutions to conduct 100% consultations for complex cases, continuously improved medical quality, and ensured the provision of high-quality dental medical services for every customer.

The consultation process is as follows:

The clinic conducted consultations on complex cases scheduled for same-day follow-ups during its daily morning meeting.	The clinic held a consultation on complex initial cases of the day during the daily evening meeting.	The clinic conducted one consultation per week for complex cases handled within a week.

If a case was too complex to be handled by doctors of a clinic, the clinic would involve directors of related specialties such as the regional implantology director and orthodontics director in the consultation, or the Regional Medical Director would organize relevant experts for consultations.

If a case was too complex to be handled by doctors within a region, the Group experts would be involved in the consultation.

The supervision process is as follows:

Consultation records → Phased summaries → Reporting to the regional director → 100% inspection by the regional director → Reporting to the Group → Random inspection by the Group

Specialized Case Classification and Doctor Grading System

The Group implemented a hierarchical management system for specialist cases and doctors based on doctors' years of service and the complexity of cases. We assigned doctors of corresponding levels in accordance with the diagnosis and treatment needs of cases at different levels, for example, complex cases classified as Level 3 or above must be handled by certified specialists of Level 3 or higher in the relevant field. If the complexity of the case was beyond the doctor's level, the Group would arrange a consultation with senior doctors to ensure precise, thorough, and efficient medical services.

IV. Improving Medical Service Quality

QUANTITATIVE EVALUATION MECHANISM

The Group regularly conducted quantitative assessments of medical service quality. Through the collection, collation, and analysis of relevant data, we carried out objective and comprehensive evaluations to provide a scientific basis for further optimizing the quality of medical services.

We selected 12 indicators most closely related to the basic quality of oral clinical practice, such as the success rate of implantation, the compliance rate of orthodontic treatment, and the qualification rate of infection control. We evaluated all stores every month to ensure that more than 80% of the institutions score more than 90 points. At the same time, we inspected, analyzed and reported the early failure cases of implantation every month. This year, we focused on the high-frequency customer complaints such as implantation failure and orthodontic effect deviation. We extracted more than 1,000 diagnostic files every month, and arranged the internal quality control team to carry out retrospective analysis to identify the problems of operation compliance and scheme adaptability, and carried out rectification.

This year, over 90% of our institutions have scored above 90 points in the evaluations. The early failure rate of dental implants has dropped to 0.3%, a decrease of 0.2% compared to the previous year, while the deviation rate of orthodontic treatment plans has remained below 1.2%. These results demonstrated a significant improvement in the quality of our medical services.

(II) ENSURING MEDICAL SAFETY

The Group has strictly adhered to regulations such as the *Regulations on the Handling of Medical Malpractice*, the *Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation)*, the *Regulation on the Administration of Narcotic Drugs and Psychotropic Drugs*, the *Measures for the Administration of Prescriptions* and the *Regulations on the Administration of Narcotic Drugs and Class I Psychotropic Drugs in Medical Institutions*. In response to controlled substances such as narcotic drugs, psychotropic drugs and other dependence-producing drugs, the Group has improved a series of internal policies such as the *Accountability System for Management Targets of Narcotic Drugs and Class I Psychotropic Drugs*, the *Special Inspection System for Narcotic Drugs and Class I Psychotropic Drugs*, the *Procurement and Acceptance System for Narcotic Drugs and Class I Psychotropic Drugs*, the *Medicine and Equipment Management System* and the *Regulations on the Full-Cycle Management of Controlled Substances Prescriptions*. Additionally, we have established a voluntary reporting mechanism, to fully ensure the patients' medical safety.

SAFETY MANAGEMENT MEASURES FOR PHARMACEUTICALS AND HIGH-VALUE CONSUMABLES

In the field of pharmaceuticals and high-value consumables management, the Group has adhered to the principle of "precise control and full traceability". By integrating our own business characteristics, we have established an efficient management system centered around intelligent means, making every effort to ensure medical safety and compliant operations.

In terms of pharmaceutical management, given that the main types of drugs used are special controlled substances such as general anesthesia-related narcotics, we relied on intelligent equipment like smart cabinets to achieve rigorous full-process control. Through the functions of dedicated storage, access control, and operation logging provided by smart cabinets, we strictly enforced procedures for narcotic and psychotropic drugs, including inbound registration, approval for withdrawal, usage recording, and regular inventory checks, ensuring that every transaction involving these drugs was traceable. Due to the limited variety of drugs and clearly defined application scenarios, the intelligent management system can more precisely control drug usage, preventing waste and misuse. This approach reduced medication risks at the source and ensured the safety of patients during treatments such as dental implant procedures under general anesthesia.

For high-value consumables, especially core consumables such as dental implants, we integrated intelligent management throughout the entire chain, encompassing procurement and acceptance, inventory management, and clinical use. During the procurement and acceptance phase, we utilized intelligent systems to automatically verify key information about dental implants, including product names, specifications, production batch numbers, expiration dates, and manufacturers, ensuring compliance with standards before they are admitted to the warehouse. In terms of inventory management, we leveraged functions such as real-time inventory monitoring and expiration date alerts provided by smart cabinets, combined with storage requirements for moisture and dust prevention, to ensure the stable quality of dental implants. During clinical use, we employed features such as barcode-based withdrawal and automatic upload of usage records from smart cabinets to enable traceability of the flow of each dental implant, ensuring the standardization and traceability of consumable usage. This year, through intelligent management, the Group maintained a 0% error rate in high-value consumable management, providing solid assurance for the safety of clinical treatments.

In addition, we continuously optimized our intelligent management system and strengthened its capabilities in data integration and analysis. By conducting real-time monitoring of the circulation data for pharmaceuticals and high-value consumables, we can promptly identify and address any anomalies, forming a closed-loop management system that spans the entire process from procurement to use. This system not only enhanced management efficiency but also safeguarded the security of pharmaceuticals and consumables through intelligent means, demonstrating our unwavering commitment to medical safety and compliant operations.

PROACTIVE REPORTING MECHANISM FOR ADVERSE EVENTS

The Group has established and improved a proactive reporting mechanism for adverse events, implemented a non-punitive system, adhered to the principle of confidentiality, and encouraged medical staff to actively report adverse events to ensure medical safety.

Medical staff could escalate issues step by step to the clinic director, regional medical administrators, and the Group's Medical Affairs Department. Regional quality directors were required to submit monthly adverse event reports to the Group and summarized feedback. Additionally, the Group conducted quarterly training sessions for all doctors on adverse events, sharing preventive measures and continuously following up on the progress of problem resolution to achieve closed-loop management and promote continuous improvement in medical quality.

IV. Improving Medical Service Quality

Adverse events were classified into four levels according to their severity, among which Level I and Level II cases fell into the category of mandatory reporting.

The reporting process for Level I and Level II cases was as follows:

Within 24 hours, a report must be submitted to the clinic, the local medical director, the regional quality control director, as well as the Group's Medical Committee	→	The regional medical director should promptly report the situation and handling methods to the Group during the daily morning meeting	→	Subsequently, a detailed incident report should be compiled

The reporting process for Level III and Level IV cases was as follows:

Medical staff reports to the clinic director	→	The clinic director confirms the report and fills out a standardized form	→	Monthly reports are submitted to the regional medical director and the regional quality control director	→	Regional Summary and Analysis	→	Report to the Group's Medical Committee

In the case of an emergency where a medical adverse event has the potential to lead to severe consequences, the clinic should immediately report to the respective regional general managers and subsequently submit a written supplementary report.

(III) ENHANCING PATIENTS' EXPERIENCE

The original intention of the Group's brand was to provide patients with reliable and high-end oral healthcare services. We consistently adhered to standardized procedures and actively implemented 5S initiatives (Sort, Straighten, Sweep, Standardize, and Sustain and improve) to continuously enhance patient experience. We are dedicated to offering patients a comprehensive, one-stop oral care service that spans the entire lifecycle, from the infancy to the old.

Disclosing prices to safeguard patients' right to information

To ensure that patients fully understand the prices before undergoing surgical treatment, the Group strictly complied with the requirements of the health supervision department by displaying the outpatient price list in a prominent position in the lobby of each clinic, so that patients could clearly know the treatment costs. Meanwhile, in accordance with the red line requirements of quality inspection, patients must sign an informed consent form before surgery, which detailed the surgical information including the price. Through these dual safeguard measures, we fully protected patients' right to know.

SERVICE QUALITY CONTROL

The Group has established a customer service center and a dedicated quality control team, and formulated such systems as *Customer Service Center Quality Control Standards*, the *Arrail Call-Centre-Consultation and the Appointment Process* and the *AD-C-240502 Arrail Group Complaint Reduction Management Measures* to ensure rapid response to customers' inquiries and feedback and guarantee the quality management of customer services. Meanwhile, we have applied the Customer Relationship Management (CRM) system and developed a comprehensive membership program, providing patients with rich benefits and exclusive membership activities to comprehensively enhance the overall patient experience.

This year, in terms of service quality control, we have established a "system + digital intelligence + closed-loop" management and control system to enhance patients' medical experience.

System upgrading

- We Issued the *Detailed Rules for Dynamic Assessment of Service Quality*, incorporating real-time patient feedback (such as complaints during diagnosis and treatment) into the assessment, and refining the deduction standards for service violations.

Digital intelligence control and management

- We upgraded the CRM system to the "Quality Intelligence Control Edition", integrating functions such as AI-powered compliance monitoring of medical treatments and service semantic analysis.

- We established a "Quality Cockpit" to display core metrics such as infection control rates and customer complaint response times across all branches in real time, with automatic alerts triggered for abnormal data.
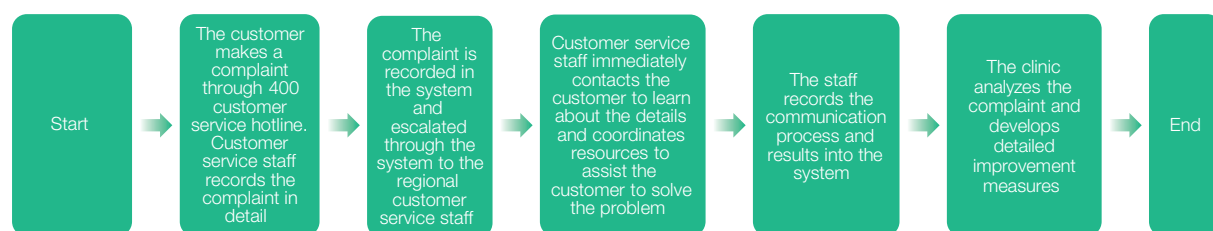
Closed-loop supervision

- During diagnosis and treatment, the intelligent system verified the compliance of operations in real time.

- After diagnosis and treatment, satisfaction surveys were conducted. If the customer satisfaction was lower than the average, a closed-loop mechanism of "response within 1 hour, rectification within 24 hours, and follow-up within 72 hours" would be activated to quickly understand and resolve customer issues.

- Each quarter, we collaborated with a third-party research company to conduct experience activities for mystery customers, such as analysis of dissatisfaction cases and sharing of excellent cases, thereby establishing a quality improvement closed loop of "identifying problems – analyzing root causes – accumulating cases – training all staff".

IV. Improving Medical Service Quality

PATIENT COMPLAINT HANDLING

The Group accepted customer inquiries and complaints through multiple channels, including the 400 customer service hotline, official website online customer service, intelligent AI customer service, and monitoring of third-party platforms. In response to potential patient complaints and medical disputes, we have formulated internal systems such as the *Arrail Group Medical Error and Malpractice Accountability System*, the *Emergency Customer Complaint Escalation Service Process*, and the *China Customer Service Center Complaint Handling Process and Rules*, to standardize the process for handling patient complaints. We required personnel responsible for monitoring public opinion to resolve customer issues in the first place in accordance with the *Complaint Acceptance and Handling Process of Arrail Group*. Meanwhile, we recorded all complaints and handling processes in the summary table of customer complaint issues, continuously improving service quality and enhancing customers' satisfaction.

| Start | → | The customer makes a complaint through 400 customer service hotline. Customer service staff records the complaint in detail | → | The complaint is recorded in the system and escalated through the system to the regional customer service staff | → | Customer service staff immediately contacts the customer to learn about the details and coordinates resources to assist the customer to solve the problem | → | The staff records the communication process and results into the system | → | The clinic analyzes the complaint and develops detailed improvement measures | → | End |

Customer Service Center Compliant Handling Process

The Group's customer complaint target was to be maintained below 0.02%. For the year 2024/25, we received a total of 122 customer complaints, accounting for 0.01% of the total annual customer volume. We achieved a 100% overall complaint resolution rate.

(IV) LEADING THE DEVELOPMENT OF THE INDUSTRY

The Group has boasted a standardized operational procedure system and a robust digital infrastructure. By collaborating with top-tier domestic and international academies in the industry, institutions, and partners, we have continuously enhanced our independent innovation capabilities. We are committed to ongoing exploration in service quality, patient experience, and operational efficiency, striving to play a leading role in the industry.

UPGRADING DIGITAL MANAGEMENT

The Group has been continuously making efforts in two key areas: digitalization of oral healthcare and improvement of operational efficiency. By systematically introducing and upgrading digital infrastructure and analyzing operational data, we have further enhanced our operational knowledge reserves, reduced operational risks, and improved service quality. This year, we have deepened the application of digital achievements such as the Social Customer Relationship Management (SCRM) system and cockpit. Meanwhile, we have vigorously expanded AI-enabled scenarios and made breakthroughs in intelligent customer service, medical record quality inspection, and auxiliary filling of medical records.

AI-Enabled Diagnosis and Treatment Management

Based on extensive daily clinical practice, the Group has established a standardized oral healthcare information management system, and introduced big data and AI innovative technologies to build an AI electronic medical record system. This system was compatible with the entire process of oral diagnosis and treatment, and played a core role in clinical practice, quality control, scientific research, and operation.

- Assisting efficient diagnosis and treatment: Equipped with intelligent templates, it automatically extracted basic patients' information, reducing the time for filling out a single medical record from 15 minutes to 5 minutes, thus cutting down the time spent on record-filling.

- Real-time system alerts: An oral healthcare quality control model was built to verify key information in real time. When potential risks were identified, it immediately popped up a warning and provided correction suggestions. So far, it has reduced risks of diagnosis and treatment by 40%.

- Dynamic tracking and management: It enabled structured entry and real-time tracking, allowing doctors to grasp treatment progress and dynamically monitor complex cases.

- Empowering scientific research development: It accumulated high-quality clinical data, providing materials for medical research, helping researchers understand diseases and master treatment rules.

- Optimizing operation management: It provided real-time data dashboards, displaying key indicators such as the number of diagnoses and treatments, revisit rates, and consumable usage efficiency of each branch, helping managers understand the operation status of hospitals, identifying problems in a timely manner and make improvements.

- Information interconnection: The system facilitated the sharing of patients' diagnostic and treatment data across branches, enabling cross-brand referrals and enhancing medical collaboration efficiency.

IV. Improving Medical Service Quality

**STRENGTHEN INDEPENDENT INNOVATION CAPABILITIES**

In the process of continuously enhancing health care and service quality, the Group has forged deep collaborations with our suppliers and other partners to promote the upgrading of independent innovation capabilities, and actively responded to the "painless, minimally invasive and precise" trend of dental clinical technologies. In multiple dental clinical areas, we have extensively deployed a matrix of digital and microscopic technologies. For example, we utilized intraoral laser scanning (iTero) and digital orthodontic solutions, and achieved precise implantation with the help of digital guide plate and navigation technology for oral implantology. Relying on chairside computer-aided design and manufacturing (CAD/CAM), we completed digital restoration, and ensured refined diagnosis and treatment with root canal micro-technique and tooth preparation micro-technique. Meanwhile, we actively participated in industry seminars and academic exchange forums, and shared practical experience of innovative technologies through online and offline public welfare livestreaming, promoting technical sharing and standard improvement in the industry.

The Group has taken the lead in introducing oral surgery robots and establishing a dental implantation technology system featuring "precision + intelligence". Leveraging the robot's three-dimensional visual planning and millimeter-level operational precision, we have overcome the traditional reliance on a dentist's experience in dental implantation, significantly enhancing implantation efficiency and long-term stability. This also provided a new solution for the diagnosis and treatment of complex cases, thereby pioneering the direction of technological innovation in oral implantation.

Case: Utilizing Robots in Oral Surgery, Leading Innovation in Dental Implantation Technology

In November 2024, the Group held the unveiling ceremony of the Regional Application Demonstration Center for Oral Surgery Robots and robot-assisted implant teaching activities, showcasing our strength in technological innovation and medical service upgrading. Our medical team demonstrated an anterior mandibular implant surgery via live broadcast, which took only 10 minutes with a precision of 0.05mm and an angular error of 0.71 degrees, and the patient had a good prognosis. Since the oral robot medical team in South China Special Zone started serving clinical practice in 2022, the team has successfully performed nearly 300 robot-assisted implant surgeries, which have been widely praised by medical staff and patients. In the future, we will accelerate the in-depth integration of government, industry, academia, research and application of oral surgery robot technology, and promote its application in clinical teaching and surgeries of implantation.
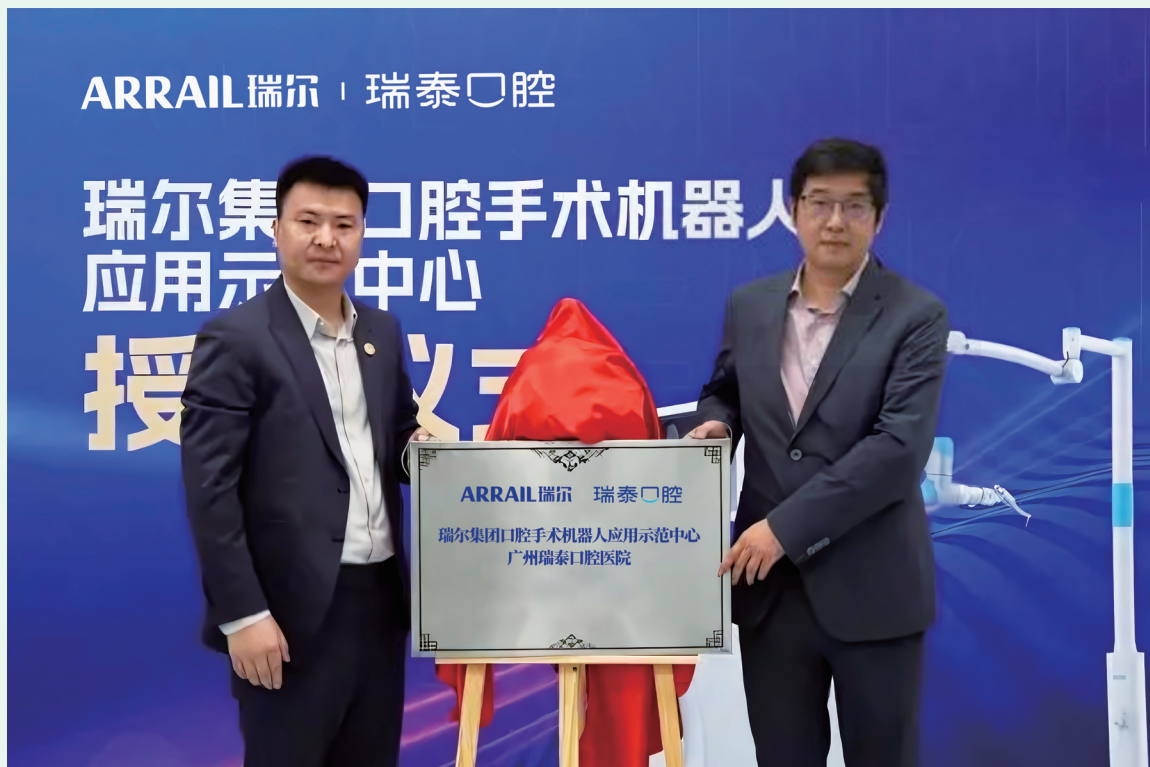
Unveiling Ceremony of the Regional Application Demonstration Center for Oral Surgery Robots

IV. Improving Medical Service Quality

EMPOWER THE DEVELOPMENT OF THE INDUSTRY

The Group has prioritized "empowering more dentists" as a key focus in our development, continuously strived to improve people's oral health and contributed to the sustainable development of the industry. By establishing an online knowledge-sharing and teaching platform, and organizing academic exchange forums for the entire industry and society, we enabled dentists from all over the country to access cutting-edge technical knowledge and skill training resources.

This year, the Group has focused on the three key dimensions of "digital and intelligent empowerment, collaborative academic research, and joint talent cultivation". We built a collaborative development ecosystem that integrated "technology, knowledge, and talent" to drive sustainable advancement in the oral healthcare industry.

Upgrade digital and intelligent diagnosis and treatment	• Iterate and upgrade the FRIDAY + Digital & Intelligent Dental Platform, introducing new functions such as AI-assisted implant planning and orthodontic prediction, and make them available for industry-wide sharing to enhance technological advancements in the field; • Organize the "Digital & Intelligent Dental Diagnosis and Treatment Practice Camp" to train primary dentists, promote the dissemination of advanced technologies, and ensure that high-quality medical services benefit more patients.
Build a shared academic ecosystem	• Focus on cutting-edge topics such as ethics and standards for ai-based diagnosis and treatment, as well as remote collaboration for complex cases, and release the *Consensus on Digital and Intelligent Dental Diagnosis and Treatment* to provide standardized guidance for industry development; • Organize academic forums and host industry events such as the 2025 General Dentistry Innovation Summit and the Second Guangdong Provincial Annual Conference on Dental Implantology, facilitating sharing and exchanges on the application of innovative technologies.
Deepen the integration of industry and education	• Establish "Oral Health Industry Colleges" in collaboration with universities, and offer a compulsory course on "Digital Diagnosis and Treatment Practice" to provide students with systematic professional learning; • Launch the "Arrail Young Talent Program", selecting students to participate in clinical follow-up consultations and R&D training, thereby cultivating digital talents for the oral healthcare industry and supporting its long-term development.

Case: Building a Global Academic Platform to Lead Multidisciplinary Integration

In January 2025, the Group, in collaboration with the School of Dental Medicine at the University of Pennsylvania, USA, hosted a cutting-edge dental summit. Top global experts and academic elites from various fields, including oral implantation, orthodontics, and prosthodontics, were invited to participate. The forum's theme was "Application of Innovative Technologies in Oral Implantation, Orthodontics, and Other Fields", and it focused on in-depth discussions of frontier topics, including AI applications in clinical practice and teaching, patient-oriented and jaw-oriented treatment concepts, and surgery-assisted orthodontics. Through cross-border, interdisciplinary exchanges and cooperation, the forum transcended the limitations of single disciplines, promoting the improvement of global oral clinical diagnosis and treatment standards, as well as medical quality. It also led to the interdisciplinary innovation of oral diagnosis and treatment technologies.

The Event Site of the Cutting-edge Dental Summit

V. Strengthening Management and Operation Compliance

Legal and compliant operation is the cornerstone of the Group's management work. We are deeply engaged in risk control and internal system construction, fortifying the defense line of privacy protection and information security, adhering to responsible marketing and procurement principles, and fully creating an efficient, transparent and fair operational ecosystem, steadily advancing towards the corporate vision of "to become a world-leading dental service group".

(I) COMPLIANCE AND RISK MANAGEMENT

The Group has strictly complied with the *Administrative Measures on Medical Institutions*, the *Administrative Measures for the Examination of Medical Institutions*, the *Law on the Promotion of Basic Medical Care, Hygiene and Health* and other laws and regulations related to the operational aspects of medical institutions, including healthcare professional qualifications, healthcare-associated infection control, medical advertising and promotion, and the utilization of medical security funds. Since 2018, we have established and operated a "three-level risk control system", and formulated internal systems such as the *Arrail Administrative Measures for Three-tier Inspection of Compliance Checklist*, the *Medical Point Inspection Manual of the Compliance Department*, the *Guidelines for Self-Inspection of Medical Institutions*, and the *24-Hour Compliance Feedback Mechanism for External Inspection Objections* to ensure compliant business operations. This year, we added the *Arrail Group Commercial Insurance and Medical Security Fund Management System*, which further refined the management processes and norms for commercial insurance and medical security funds, and continuously improved the compliant operation system.

The Group adopted multi-compliance assurance mechanisms to fully avoid compliance risks, such as a three-tier inspection policy of "monthly self-inspection by management at all levels in all clinics/hospitals + audit by functional departments of the Group + unannounced inspections by the Compliance Department". This mechanism horizontally covered all affiliated medical institutions and vertically aligned with relevant national regulatory requirements. Through 128 routine inspection items, combined with irregular special inspections, it filtered out an average of hundreds of risks for the Group each year.

Tier-I inspection	Tier-II inspection	Tier-III inspection
Management at all levels in all clinics/hospitals carries out monthly self-inspection according to the compliance checklist and reports all inspection results in a timely manner through the system, without any omission or delays.	The Group's Medical Department and other relevant departments review the tier-I inspection monthly, report the results, and check the tier-I inspection results against the checklist.	The Compliance Department is responsible for reviewing the implementation of the tier-I and tier-II inspections, carrying out unannounced inspections according to the compliance checklist.

We fully seized every opportunity presented by compliance inspections to conduct on-site learning on compliant operations. This year, all 107 clinics and 11 hospitals of the Group have undergone full-item three-level compliance unannounced inspections. Meanwhile, we provided risk management training to the Board of Directors and senior management twice a year, regularly issued notifications on 3 compliance cases to all employees every month, and provided employees with training and materials related to compliant operations to help them proactively identify potential compliance issues. Additionally, we continuously deepened the standardization of our risk prevention and control systems, leveraged the functions of major risk assessment, monitoring, and early warning to effectively enhance our capabilities in legally compliant operations and risk resilience.

(II) PRIVACY PROTECTION AND INFORMATION SECURITY

In an era where digitalization is driving accelerated transformation in the medical industry, a medical enterprise's commitment to protecting patients' privacy and information security is not only a legal requirement but also the cornerstone of corporate reputation and patient trust. The Group continuously optimized the privacy and information security management and protection system, established scientifically sound and effective internal data governance systems and process norms, and earnestly safeguarded the security of patients' private data and information.

INFORMATION SECURITY MANAGEMENT SYSTEM

The Group has always adhered to the principle of prioritizing information security and strictly abides by relevant laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Electronic Signature*, and formulated an internal work guarantee system with the *IT Code of Conduct for Employees of Arrail Group* at its core to ensure the standardization and systematization of information security management. This system covered all levels from ordinary employees to senior management, aiming to fundamentally build a solid and reliable information security management system.

The Group established a sound multi-level information security management framework and carried out various work to ensure the security and compliance of the Group's information systems. The Board of Directors, as the highest decision-making body, was responsible for formulating strategic directions and implementing information security supervision; the senior management focused on organizational coordination and system planning; under the direct leadership of the senior management, the Information Security Management Committee comprehensively coordinated data security and compliance affairs; and the information security department concentrated on technical support and daily operation and maintenance. In the event of major information security incidents, the Group's information security department would report to the Information Security Management Committee, which would review the matter before submitting it to the Board of Directors for final decision. This formed a reporting path from grass-roots execution to the highest decision-making level, ensuring that information security issues were responded to and resolved in a timely manner.

The Group established a sound information security emergency response plan and remediation mechanism. We organized at least one emergency drill every year and conducted system vulnerability scans and security assessments on a monthly basis. In the event of an information security incident, we strictly followed the provisions of the emergency plan, implemented professional disposal measures within 48 hours, and effectively controlled the scope of impact. At the same time, we recorded the details of the incident in detail, properly preserved relevant evidence, and reported to the competent authorities in accordance with the law. We also promptly deployed temporary business response plans according to specific circumstances, restored the system to ensure business continuity.

V. Strengthening Management and Operation Compliance

In addition, the Group established a professional security management team, which was fully responsible for the security operation and maintenance of office areas and the "5i5ya" system. We have incorporated key indicators of data security and cybersecurity, such as the success rate of data backup and recovery and the response time to cyber-attacks, into the performance assessment of IT technicians. To strengthen the security management system and promptly detect potential threats, we set up a dedicated security incident feedback email address for receiving various information on security risks, facilitating clinics and employees in all regions to provide security warning information and thereby preventing potential risks.

PROTECTION OF CUSTOMERS' PRIVATE DATA

In terms of customer data privacy protection, the Group required customers to sign the *Notice of Authorization of Personal Information* when deploying digital systems in various medical institutions. This ensured transparency and legality in the use of information. We implemented strict system account permission management and actively identified and eliminated potential information security risks during system updates. We continuously optimized the presentation of user privacy information to minimize the risk of leaks. For the "5i5ya" system, we strengthened access controls for patient privacy information, increased the frequency of identity verification, and improved the access log recording system to achieve comprehensive privacy protection.

Using Customer Data Compliantly, to Effectively Protect Customers' Privacy

The Group published the *Notice of Authorization of Personal Information* to give customers the right to control their personal information, to provide patients with the means to access, correct or supplement, or delete their personal information, and to ensure that customers are able to exercise their privacy rights. Meanwhile, regarding customer information management, the Group has formulated strict and comprehensive specifications, including the following:

- Strictly protect patients' personal information and require that it be used only within the scope necessary for providing medical services, such as in appointment management, diagnosis and treatment feedback, and the implementation of treatment plans, ensuring that it will not be disclosed to any third party;

- Provide each patient with more accurate diagnosis and personalized treatment plans through professional analysis of their health data, so as to continuously improve the quality of medical services;

- After undergoing strict anonymization, the relevant data will be used to support medical research, contributing to the optimization of nursing systems and the development of public health undertakings;

- Establish a sound identity verification mechanism, and effectively prevent account risks through multi-dimensional information integration to ensure the security of patients' information.

Moreover, we adopted the following data security measures and technologies to prevent potential data security risks:

❙ Data encryption

Use Secure Sockets Layer technology to encrypt and desensitize data, to protect data generated from business operations from being intercepted and/or tampered with.

❙ Data system upgrade

Regularly follow up the iteration of protective capability of cloud platform, upgrade the cloud security protection portal, and utilize the next generation firewall (NGFW) to guard against cyber-attacks, hackers and other security threats.

❙ Restricted data access

Based on the overall IT infrastructure, employees can only access patients' data upon the patients' authorization, and the access permission to sensitive information and medical records is limited to specific authorized personnel.

❙ Data back-up

Regularly back up patients' medical records to safeguard the security of patient information and data integrity of our system.

❙ Internal information circulation

Internal communications are not only restricted to whitelisted ports and links but also adopt TLS encryption to ensure the confidentiality and integrity during the communication process.

❙ Additional preventive measures

Formulate plans to engage third-party institutions specializing in data security to provide training for the IT Department.

In the process of developing the "5i5ya" mini-program, the Group has strictly complied with regulatory requirements such as the *Methods for Identifying the Illegal Collection and Use of Personal Information by Apps*, the *Information Security Technology – Personal Information Security Specification*, and fully implemented privacy protection policies and information security management norms. As the digital transformation of healthcare services and operations continues, we continually strengthened our mechanisms for protecting customers' privacy. For the "5i5ya" system, we regularly entrusted professional third-party institutions to conduct information security level protection assessments and implement system penetration testing, comprehensively detecting security vulnerabilities in various functional modules through simulated attack methods. Based on the professional suggestions in the assessment reports, we promptly carried out system optimization and security reinforcement work, effectively reducing information security risks.

In addition, the Group regularly assessed its own data protection and security measures in accordance with internationally recognized standards. Our operation and management SaaS system has obtained certifications including the ISO 27001 Information Security Management System, ISO 27701 Privacy Information Management System, and ISO 22301 Business Continuity Management System, as well as the Level 3 Certification for Information System Security Grading Protection. These certifications covered the operation systems of the Group's main businesses, further enhancing the capability foundation for the construction of information security architecture.

During the year, the Group did not experience any customer privacy breaches or information security incidents.

CULTIVATE AWARENESS OF INFORMATION SECURITY

In the field of information security, employee training is one of the important ways for the Group to strengthen information and data security. We made full use of platforms such as Arrail Academy, enterprise's WeChat groups and all-staff emails to regularly disseminate spam alerts, information security training documents, and online video teaching materials to all employees, conducting extensive promotion of information security knowledge to ensure that employees can stay promptly and comprehensively informed about relevant information security topics. We also required all new employees to complete training courses on network and information security. Combining with actual work scenarios, we guided employees to consciously abide by information security regulations in daily work, develop good information security operation habits, and effectively prevent various information security risks.

(III) RESPONSIBLE MARKETING

The Group has fully considered the public's life, health and human dignity in the process of brand building and marketing promotion.

In terms of advertising management, we have complied with the *Advertisement Law of the People's Republic of China*, the *Measures for the Administration of Medical Advertisements*, and the *Interim Measures for the Administration of Internet Advertisements*. Meanwhile, we continuously improved internal systems such as the *Practice Guide for Advertising Activities in the New Environment*, the *Guidelines for the Specifications and Regulations on the Use of Advertisements/Materials/VI of Arrail Group*, and the *Administrative Measures for the Review of External Publicity Materials of Arrail Group*, to ensure that accurate medical information is delivered to the public. We strictly reviewed the information released to the outside world to ensure its authenticity, legality, accuracy, and scientific validity, thereby avoiding the dissemination of misleading information to patients and upholding the credibility of the medical industry.

Across both online and offline channels, including e-commerce stores, live broadcasts, and outpatient hospitals, we strictly reviewed the displayed promotional content. We ensured that all promotional information has passed the medical advertisement review and filing procedures, and that product and service information was true, accurate, with transparent and reasonable prices. We firmly resisted any exaggerated, false or fraudulent marketing, advertising and sales behaviors, and guaranteed that consumers and patients will not be deceived or misled.

In terms of intellectual property management, we strictly abided by the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China,* the *Regulations on the Protection of Computer Software* and other laws & regulations related to intellectual property. By applying for software copyright certificates, signing R&D non-disclosure agreements and using other means, we effectively safeguarded our own intellectual property rights from infringement, while also ensuring that we did not infringe upon the intellectual property rights of others.

In terms of trademark management, we strictly implemented the regulations on trademark management and use in accordance with the *Trademark Law of the People's Republic of China* and required relevant staff to learn the latest laws and regulations in time to ensure the timeliness and compliance of the trademarks used.

During the current year, the Group did not experience any material violation of laws and regulations related to advertising publicity, trademarks, and intellectual property rights.

(IV) SUSTAINABLE SUPPLY CHAIN

The Group is committed to working with suppliers to create healthier communities and promote the sustainable development of the supply chain. In accordance with laws and regulations such as the *Law of the People's Republic of China on Tenders and Bids*, the *Regulations on the Supervision and Administration of Medical Devices* and the *Quality Management Standards for Medical Device Operation*, we have established a supplier compliance system and improved internal management systems to standardize suppliers' behaviors. Meanwhile, we implemented hierarchical management of suppliers and classified management of products, standardized the processes of access review, performance evaluation, and continuous improvement, and formulated supporting full-cycle management regulations to achieve refined management of the supply chain.

SUPPLIER MANAGEMENT

The Group's suppliers mainly covered three categories: human resource service providers, dental equipment suppliers, and suppliers of consumables and dental supplies (including pharmaceuticals, dentures, surgical materials, dental instruments, and consumables). The procurement department worked closely with various business departments to jointly identify, contact and manage suppliers, facilitating the achievement of sustainable development goals. To ensure the stability of supply chain and strengthen supply chain management, we adopted centralized procurement, and improved efficiency by means of platform-based and digital-based management systems.

Supplier Screening

To ensure the quality of suppliers, the Group implemented a rigorous pre-qualification process for supplier screening. Regarding the legal qualifications of suppliers, we conducted a detailed review of the validity and compliance of necessary documents such as the *Medical Device Operation License and Product Registration Certificate*, and strictly examined the certification status of their quality management system certification (ISO 13485) to ensure that their quality management systems comply with international standards. At the same time, we comprehensively collected and analyzed the industry credit records of suppliers to evaluate their business reputation and performance capabilities.

To establish high-quality and stable cooperative relationships with suppliers, we explicitly excluded the following suppliers that did not meet our requirements: entities that have received major administrative penalties, those listed on dishonesty blacklists, suppliers with records of major environmental protection penalties in the past three years, suppliers that have experienced work safety liability accidents, and suppliers involved in labor dispute lawsuits.

V. Strengthening Management and Operation Compliance

Supplier Access

The Group formulated a strict access mechanism for new suppliers and developed a supplier selection matrix model. It conducted quantitative weighted evaluations of suppliers from four major dimensions: implementation of cost-benefit analysis, technical capability assessment, delivery cycle verification, and after-sales service level, so as to ensure the selection of the optimal cooperation entity.

The Group attached great importance to the product quality provided by our suppliers. To ensure that every product meets high standards, we have established a rigorous review process:

- Invite doctors from three different cities to conduct product trials, with detailed records of their usage experiences and feedback, forming trial reports.

- The Medical Department of the Group meticulously evaluates the trial reports to ensure that the product's performance, safety, and effectiveness are fully validated.

- For key products, we maintain a 100% inspection rate, leaving no detail that may impact product quality unchecked.

- Only after a product has passed the strict review by the Medical Department can it be incorporated into our procurement system.

Supplier Evaluation

When signing contracts with suppliers, the Group clearly specified requirements for them in terms of occupational health and safety, prevention of discrimination and harassment, and guarantee of good working conditions. For in-library suppliers, we implemented a classified management and evaluation system. Key suppliers were sorted out and evaluated regularly according to seven major categories: implants, orthodontics, membranes and bone powder, brackets, imaging, dental chairs, and processing factories. We promptly put forward improvement requirements for their deficiencies in quality, delivery, cost, compliance, environmental protection, safety, etc. Meanwhile, we required suppliers to provide valid inspection reports and conducted full inspections or random inspections in accordance with acceptance standards. For imported medical devices, we also needed to check the customs clearance documents, Chinese labels, and instructions. In addition, for admitted suppliers, we conducted systematic risk assessments and focus on monitoring the following major risk events: product recalls, medical safety liability accidents, environmental administrative penalties, and major labor rights disputes.

The Group evaluated the product and service quality of key suppliers on an annual basis. For those suppliers that fail to meet the performance benchmarks for consecutive evaluation cycles (≥2 times), their cooperation qualifications will be terminated, and they will be removed from the list of qualified suppliers. In the current year, we have conducted evaluations on all key suppliers, achieving a 100% coverage rate.

Supplier Empowerment

The Group has established an efficient collaboration mechanism with suppliers and built a closed-loop quality feedback system. Key information such as the adverse event rate generated during the clinical use of consumables was accurately fed back to suppliers, driving them to optimize and improve their products. At the same time, we opened up demand forecasts to strategic suppliers, sharing procurement plans and surgical volume forecast data for the next 12 months. This data transparency helped suppliers scientifically plan their production capacity and achieve precise matching of supply and demand.

KPI: SUPPLIERS

By geographical region[1]	Unit	Number of suppliers (the year 2024/25)
China	supplier	18
Europe	supplier	14
The United States	supplier	7
South Korea	supplier	3
By procurement category	**Unit**	**Number of suppliers (the year 2024/25)**
Tier-1 suppliers	supplier	36
Among them: significant suppliers	supplier	19
% of total spend on significant suppliers in Tier-1	%	90
Non Tier-1 suppliers	supplier	6
Among them: significant suppliers	supplier	0
Total number of significant suppliers (Tier-1 and non Tier-1)	supplier	19
Supplier assessment, corrective and capacity building	**Unit**	**Number of suppliers (the year 2024/25)**
Total number of significant suppliers assessed	supplier	19
% of significant suppliers assessed	%	100
Number of suppliers assessed with substantial actual/potential negative impacts	supplier	0
Among them: % of significant suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	%	0
Among them: Number of significant suppliers with substantial actual/potential negative impacts that were terminated	supplier	0
Total number of significant suppliers supported by the Group's capacity building	supplier	3
% of significant suppliers supported by the Group's capacity building	%	19

1   Considering that most suppliers of consumables are highly fluid, the statistics only cover Class A suppliers.

V. Strengthening Management and Operation Compliance

RESPONSIBLE PROCUREMENT

The Group took responsible procurement as a key part of building a sustainable supply chain. We adhered to taking the stability, greenness, integrity and efficiency of the supply chain as core elements, and strived to build a sustainable supply chain through measures such as establishing long-term and stable cooperative relationships and strengthening internal supervision.

Ensure Stable Supply

- Simplifying transportation processes and procurement procedures: We required denture processing factories to establish new factories near our clinics and mandated implant suppliers to provide consignment services. These measures aimed to simplify procurement procedures and transportation processes, reduce transportation cycles, and shorten supply times.

- Optimizing structure of supply chain: We continuously optimized our supply chain structure by adopting a multi-sourcing strategy. For high-value consumables such as implantable devices and bone membrane/bone graft materials, we certified at least two geographically separated qualified suppliers and conducted pre-qualification reviews of one to two additional suppliers to establish a reserve supplier pool, thereby reducing our reliance on any single supplier.

- Addressing geopolitical risks: When confronted with countries and regions where there is a risk of political conflict, we identified the potential impact that geopolitical risks may have on our supply chain, collaborate with key suppliers to jointly assess these risks, and developed corresponding alternative plans to ensure the stability of the supply chain.

- Dynamic management of safety stock: Smart replenishment algorithms were employed to automatically adjust inventory thresholds based on data such as historical usage, surgical schedules, and seasonal disease forecasts.

Build a Green Supply Chain

- Encouraging the Provision of Eco-Friendly Products: We encouraged and supported our suppliers to offer eco-friendly products, giving priority to purchasing consumables with a degradability rate exceeding 90%. We ensured that the raw materials used and the final products provided meet environmental protection standards.

- Prioritizing the procurement of energy-efficient equipment: We encouraged comprehensive treatment suppliers to upgrade their products in terms of energy-saving technologies, intelligent disinfection systems, environmentally friendly materials, and sustainable operation.

- Pushing for Process Improvements: We urged our suppliers to proactively enhance their production processes, aiming to significantly reduce carbon emissions through measures like minimizing packaging materials.

- Reducing carbon emissions during decoration: We required newly opened stores to use environmentally friendly decoration materials, such as LED lamps and intelligent control switches, with 30% of them subject to random sampling inspections. For fire-resistant glass partitions, we demanded that suppliers provide certification reports for Class A fire resistance rating and the China Certification Center for Fire Products Ministry of Public Security (CCCF) certification.

- Prioritizing Local Suppliers: We gave preference to local suppliers to shorten the logistics distance and reduce carbon footprint.

Foster Integrity Supply Chain

- Compliance with laws and regulations: We required that all suppliers strictly comply with applicable laws and regulations, and on this basis, we have formulated the *Letter of Commitment to Integrity of Suppliers and Construction Parties*, which requires suppliers to comply with anti-commercial bribery and other codes of business ethical, and to engage in legitimate business dealings. This year, we have released the *Arrail Group's Sponsorship Management System* to ensure the transparency and compliance of sponsorship activities.

- Prohibition of Corrupt Behavior: We required that during the performance of the contract, the suppliers shall not give any kickbacks, commissions, etc. to clients or its procurement staff in any name.

- Rejection of unfair means: We required the suppliers to commit to not resorting to any unfair means, such as bribery, fraud, etc., to obtain business opportunities or commercial benefits.

Ensure Efficient Supply

- Establishing the "Friday" supply chain platform: We have applied its inventory management and consignment system to provide small clinics with a brand-new material management solution, which makes the material management process more efficient and transparent, reduces inventory backlogs and waste, and optimizes the response speed and flexibility of the supply chain, thereby improving the efficiency of supply chain management.

- Implementing Smart Cabinets: We have promoted the use of smart cabinets for consumables to conduct automatic inventory checks, track the entire lifecycle of consumable usage, and monitor real-time inventory levels of consumables, thereby reducing inventory overstock and waste. When consumables are running low or approaching expiration, the system promptly alerts the supply side to ensure zero-delay replenishment and enhance supply efficiency.

V. Strengthening Management and Operation Compliance

Case: Promoting the Application of Smart Cabinets to Facilitate the Upgrade of Consumables Management

This year, the Group has actively promoted the application of smart cabinets, leveraging "full-time monitoring + data interconnection" to achieve a comprehensive upgrade in automatic inventory checks, inventory alerts, and full-process traceability. We assigned ultra-high frequency RFID tags to each consumable item, ensuring a unique identity and enabling the recording of detailed information. When consumables are placed in the cabinet, the RFID technology automatically reads the tag information, enabling instant batch inventory checks with an accuracy rate exceeding 99.9%. This breakthrough overcame the limitations of traditional manual inventory checks, effectively enhancing both efficiency and accuracy.

Meanwhile, we have established an automated inventory warning system that seamlessly integrates the smart cabinets with our inventory management system, enabling real-time monitoring of consumable stock levels. The system adheres to the "first-in, first-out" principle, automatically marking consumables nearing their expiration dates and locking expired products to ensure precise inventory control and effectively minimize resource wastage. Once the stock level of any consumable falls below the preset threshold, the system immediately triggers an alert, promptly notifying the supplier to replenish the stock and ensuring uninterrupted supply.

In addition, through the smart cabinets, we precisely linked each consumable to its corresponding patient and record the entire lifecycle information of the consumable, spanning from procurement, inspection, collection, distribution, usage, to disposal. This enabled full process traceability, enhancing medical safety and management efficiency.

Smart Cabinets

(V) PRACTICE OF INTEGRITY

The Group has adhered to the operating principle of integrity and strictly complied with the *Civil Code of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Interim Provisions on Banning Commercial Bribery* and other laws and regulations related to business ethics. Moreover, we have formulated the *Arrail Integrity Convention*, the *Employee Manual of Arrail Group,* the *Letter of Commitment to Integrity of Arrail Employees* and other internal management policies to regulate improper practices such as abusing power for personal gains, striving to create a clean and upright working environment.

The Group attached great importance to employees' professional ethics and code of conduct. The *Employee Manual of Arrail Group* and the *Arrail Integrity Convention* clearly stipulate employees' behavioral guidelines and compliance requirements, and explicitly list provisions on violations and disciplinary offenses. Employees are required to firmly implement the principles of anti-corruption and anti-bribery in business activities, strictly prohibit soliciting or accepting kickbacks by taking advantage of their positions, and put an end to any form of benefit transfer and corrupt behavior. This year, we published three issues of the cultural journal *Arrail People* and organized symposiums on sharing the Arrail Code of Conduct, guiding employees to embody corporate values and strictly adhere to the code of behavior.

Meanwhile, the Group has stipulated in the *Arrail Integrity Convention* that employees shall truthfully declare conflict of interest and has conducted training in various ways to enable employees to understand conflict of interest and the relevant declaration requirements in order to prevent such conflicts. For any employee who violates the code of conduct and compliance requirements, we will impose corresponding disciplinary actions based on the severity of the case to uphold internal credibility and operational order.

The Group maintained a zero-tolerance stance towards all acts of corruption and fraud, encouraging all employees and business partners to report any existing or potential fraudulent behavior. We have established an open reporting channel – an integrity reporting email – to ensure that reported information is delivered promptly and accurately. We conducted thorough investigations into all reported issues that are made with real names, and take strict disciplinary actions against those found guilty. Meanwhile, we have formulated the *Integrity Reporting and Handling Measures* and implemented protective measures for whistleblowers, strictly limiting the scope of personnel who have access to whistleblower information to ensure its security and confidentiality.

Arrail whistleblowing mailbox
fanfubai@arrailgroup.com

We required all board members and employees to complete the publicity and training on code of business conduct and integrity every year, aiming at strengthening integrity publicity. We urged managers at all levels to lead their teams in conducting clean and honest work, and disseminated the requirements for clean and ethical practice to suppliers and other cooperative parties by having them sign the *Letter of Commitment to Integrity*. This year, we conducted an offline integrity training session for senior executives including all board members, during which they signed the *Letter of Commitment to Integrity*, aiming to comprehensively maintain a clean and upright atmosphere. Additionally, we organized all employees to participate in online integrity training activities, with a total of 3,378 employees attending. The learning rate of management functions reached 90%, which has effectively enhanced employees' awareness of integrity in their work.

During the current year, there were no concluded lawsuits regarding corrupt practices related to the Group or its employees.

VI. Promoting Green Operation

The Group actively responds to national and industry environmental protection policies, integrating the concepts of environmental protection, energy conservation and emission reduction into medical services and corporate operations. We strive to reduce pollutant emissions and optimize resource utilization. Meanwhile, we actively promote and advocate for a green and low-carbon lifestyle, encouraging employees, suppliers, and other stakeholders to reduce carbon emissions in their daily business activities, enhance their awareness of environmental protection and low-carbon practices, to safeguard our green homeland.

The environmental protection work of the Group is generally responsible and supervised by the Board of Directors. The functional departments such as the Medical Department, the Engineering Department, the Government and Public Affairs Department, as well as regional management departments, are responsible for environmental compliance work during the preliminary design and renovation process of the clinic, as well as during the post-renovation operational phase. The relevant matters are decided by the management of the Group and finally approved by the Board of Directors.

(I) RESPONDING TO CLIMATE CHANGE

The Group actively responded to the national "dual-carbon" strategy, taking climate change response as a core issue in ESG management. We systematically promoted low-carbon transformation through measures such as formulating the *Employee Initiative for Emission Reduction and Energy Conservation of Arrail Group* and dynamically upgrading the internal environmental management system.

GOVERNANCE

Against the backdrop of the continuous deepening of global climate governance, the Group has incorporated climate risk management into a key part of its strategic development. We have established a three-level linked climate governance mechanism of "decision – management – implementation". The Board of Directors, as the decision-making level, was responsible for assessing and identifying climate-related risks and opportunities, approving climate strategies and goals, and guiding the review of climate actions and business plans. The ESG Working Group, as the management level, was tasked with identifying and evaluating climate risks and opportunities, making recommendations to the Board of Directors, reviewing climate strategy goals, examining the progress of goals, promoting the implementation of management actions by various departments, and providing suggestions on resources. Each business department, as the implementation level, was responsible for formulating climate goals, clarifying progress, and implementing relevant strategies.

To enhance governance effectiveness, we organized special training sessions every year, focusing on content such as climate risk identification and low-carbon transformation opportunities, to continuously strengthen the climate governance capabilities of the decision-making level. Meanwhile, we have established a goal management mechanism: the Board of Directors regularly assesses the progress in achieving energy conservation and carbon reduction goals, and plans to incorporate climate performance into the assessment system to enhance execution drive. In the future, we will further improve the climate governance system and continuously enhance our comprehensive ability to respond to climate change through institutional innovation and management optimization.

STRATEGY

With reference to the framework and recommendations set out in *IFRS S2 Climate-related Disclosure* issued by the International Sustainability Standards Board (ISSB), the Group has proactively identified and assessed the potential impact of climate-related physical risks and transition risks on its business development. We have also actively taken response measures to avoid adverse impacts of climate change on business operations.

Climate-related risks and response measures of the Group

Types	Source	Description	Financial Impact	Our Responses
Physical Risks	Acute Risks	The frequent occurrence of natural disasters such as floods, heavy rain/snow, and typhoons may cause production bases to suspend operations, which in turn could lead to disruptions in the supply chain of pharmaceuticals and medical equipment as well as increased procurement costs. If the Group is forced to raise product prices due to cost pressures, it may trigger a reduction in customer demand, ultimately resulting in a decline in operating revenue; Extreme weather such as heavy rains and high temperatures may cause traffic disruptions around stores, leading to a short-term drop in patient visits to the stores and, in turn, a decline in operating revenue; In addition, high-temperature conditions will increase the energy consumption of air conditioners and other equipment, as well as the risk of overload damage. This will in turn lead to more frequent equipment maintenance, higher energy costs, and ultimately an increase in operating expenses.	Procurement Cost ↑ Operating Cost ↑ Operating Revenue ↓	Establish an early warning mechanism: Continuously monitor extreme weather warnings issued by meteorological authorities in real time and establish a multi-tiered emergency response plan system that covers scenarios such as responses to major weather disasters and the allocation of medical supplies in case of shortages. Formulate a backup policy for patient appointments to ensure flexibility in scheduling medical consultations for patients during extreme weather conditions; Establish a coordinated "online + offline" response mechanism: Activate an online consultation "express lane" (cloud clinic) during heavy rainstorms, while simultaneously opening an online rescheduling channel to reduce reliance on in-person visits; upgrade the intelligent temperature control system of stores' air conditioners and install equipment cooling modules during high-temperature periods, equip with backup power generation devices to mitigate the risk of equipment overload; advance energy-saving renovation projects such as photovoltaic power supply, coupled with the expansion of online services, to effectively mitigate the impact of extreme weather on offline customer traffic; Implement differentiated emergency supply allocation across different regions: In flood-prone areas, stockpile flood control sandbags and intelligent drainage pumps, and coordinate with municipal drainage systems; in high-temperature regions, increase the provision of heatstroke prevention supplies and cooling equipment, and implement flexible "staggered-hour medical consultation" shift arrangements; for stores in northern regions, ensure an adequate supply of snow removal machines, anti-slip mats, and other emergency supplies for snowstorms, and establish a decision-making process for store closures or operations during such events.

VI. Promoting Green Operation

Types	Source	Description	Financial Impact	Our Responses
	Chronic Risks	The intensification of global warming has led to a continuous rise in temperatures, thereby increasing the frequency of using refrigeration equipment in stores. This has resulted in a significant surge in electricity consumption, which in turn drives up the operational costs of enterprises.	Operating Cost ↑	Reduce long-term electricity expenses through energy-saving renovation projects such as installing photovoltaic equipment.
Transition Risks	Policies and Laws	In the future, the government and regulatory authorities may introduce stricter environmental regulations and policies (such as carbon emission reduction, green building standards, etc.). The tightening of energy consumption limits and environmental protection requirements will increase environmental compliance costs.	Cost of Environmental Compliance ↑	Establish a dedicated policy research team to dynamically track policy trends in carbon trading, green subsidies, green credit, and other relevant areas, so as to precisely seize policy dividend opportunities; Apply for government subsidies for new energy equipment, specifically earmarked for energy-saving renovation projects such as photovoltaic power stations and energy storage facilities, to reduce energy consumption costs in store operations while simultaneously increasing the proportion of green energy usage.
	Technology	In the process of low-carbon transition, the investments made by enterprises to improve energy efficiency will directly lead to an increase in transition costs.	Transition Cost ↑	Process upgrading: Reduce the proportion of traditional ceramic casting processes and instead focus on the development and application of digital processes in cutting and printing stages.
	Market Demand	The market's attention to the energy consumption level of products continues to rise, leading to a declining demand for products with high carbon emission intensity, which ultimately results in a drop in corporate operating income.	Operating Revenue ↓	Low-carbon operation: Implement a green office initiative, encourage employees to commute by public transportation, reduce the frequency of official vehicle usage, and minimize carbon emissions in daily operational activities; Green procurement: Accelerate the procurement and upgrading of environmentally friendly equipment and energy-efficient assets.
	Reputation	Stakeholders' attention to the Group's performance in green and low-carbon development as well as climate change response continues to rise. If relevant initiatives fail to meet expectations, it may have a negative impact on the company's reputation and brand image.	Operating Revenue ↓	Conduct environmental and climate due diligence in all operational aspects to ensure that business processes comply with environmental protection and climate-related requirements; Integrate the issue of climate change into the core management agenda, proactively communicate with shareholders on the progress of response measures, and simultaneously organize climate knowledge and response skills training for all employees to meet the expectations of all stakeholders.

Meanwhile, based on its main business and the entire operational process, the Group continued to explore development opportunities brought about by climate change. Through precise identification and strategic grasp, we are driving the medical industry towards sustainable development.

Climate-related opportunities and response measures of the Group

Source	Description	Financial Impact	Our Responses
Extreme Weather	Affected by extreme weather, the demand for services such as online diagnosis and treatment consultation and remote health management has increased significantly, giving rise to new business scenarios. In 2025, the proportion of the Group's online service revenue in total revenue has increased significantly, becoming a new driver of performance growth.	Operating Revenue ↑	Promote the development of online businesses such as online diagnosis and treatment, as well as remote management, to form a diversified revenue pillar. This will reduce reliance on traditional offline models, enhance risk resistance capabilities, and accelerate the digital transformation of services.
Global Warming	Global warming has driven a continuous rise in public environmental awareness. Dental institutions with green diagnosis and treatment concepts and low-carbon operation models are more likely to gain market recognition, which provides a strategic opportunity for the Group to strengthen its brand's differentiated competitiveness.	Operating Revenue ↑	Accelerate the green upgrading of energy structure and the low-carbon transformation of operation mode to accurately adapt to the changing trend of market demand.
Policy Support	Countries have successively introduced supportive policies such as green subsidies and tax incentives to guide enterprises to accelerate the exploration of green development paths.	Operating Cost ↓	Actively respond to the national policy orientation and accelerate the transformation to a low-carbon, sustainable and green development model.

VI. Promoting Green Operation

Source	Description	Financial Impact	Our Responses
Resource Efficiency	By reducing energy and water consumption, the Group can not only effectively cut down its operational costs but also enhance its reputation for green development.	Operating Cost ↓	Formulate special management measures for energy and water conservation, break down and implement energy-saving and emission-reduction targets on an annual basis, and promote efficient resource utilization in operational processes; Give priority to selecting energy-saving and environment-friendly products and suppliers, and strengthen green and low-carbon standards at the source of procurement to facilitate the sustainable development of the entire supply chain.
Products and Services	As global climate change intensifies, customers' preference for environmentally friendly products and services continues to grow. The Group's low-carbon emission initiatives can not only create a differentiated competitive advantage but also drive revenue growth through additional consumption generated by customers' recognition of low-carbon services, thereby achieving synergistic growth of environmental and economic benefits.	Operating Revenue ↑	Formulate environmental management strategies based on customer strategies and needs. From the research and development of green products, the upgrading of low-carbon services to the collaborative optimization of the supply chain, comprehensively enhance the enterprise's core competitiveness in the field of sustainable development, so as to seize market opportunities with differentiated advantages.

Source	Description	Financial Impact	Our Responses
Employee Participation	As global climate change intensifies, employees' environmental awareness continues to grow. Their enhanced energy-saving consciousness and the implementation of energy-saving measures will directly reduce energy consumption in operational processes, thereby lowering operational costs.	Operating cost ↓	Encourage all employees to practice low-carbon actions in their daily office work (such as paperless office operations, using energy-saving equipment, and adopting green commuting methods); Establish an environmental incentive mechanism to recognize and reward energy-saving innovation proposals and green practice cases, thereby comprehensively strengthening the organization's execution capacity and cohesion in the field of green development.

RISK MANAGEMENT

The Group has established a sound climate risk management system. By systematically assessing the impact of physical risks such as extreme weather and policy risks such as low-carbon transformation on core businesses, we have fully integrated climate-related risks and opportunities into the Group's risk management framework. We have established a full-process management mechanism of "risk identification – impact assessment – priority ranking – dynamic monitoring" to effectively control operational risks and actively seize opportunities in the development of green healthcare.

INDICATORS AND TARGETS

The Group has clearly defined quantitative goals for energy conservation and emission reduction. By monitoring climate-related risks throughout the entire process, dynamically optimizing management measures, we promptly mitigated the potential negative impacts of climate change on business operations. For specific indicators and targets, please refer to the section "(V) Environmental Targets".

(II) CONTROLLING GREENHOUSE GAS EMISSIONS

The Group has profoundly recognized the significance of greenhouse gas (GHG) emissions management in addressing climate change and achieving sustainable development, and has consistently placed GHG emissions control at a strategic height. Through scientific and systematic research and analysis of GHG emissions, we have formulated internal policies such as the *Energy Conservation and Consumption Reduction Management Measures of Arrail Group* and the *Full-Scenario Energy Saving and Carbon Reduction Management Regulations of Arrail Group*. Meanwhile, we systematically identified sources of GHG emissions and actively undertook a series of practical and effective emission reduction initiatives, contributing to the realization of China's national "dual carbon" goals.

EMISSION SOURCE IDENTIFICATION

The Group's greenhouse gas emissions are primarily categorized into direct emissions and indirect emissions. Direct emissions mainly stem from the use of fuel oil and gas-fired equipment during our operational processes, while indirect emissions include those generated from purchased electricity, as well as greenhouse gas emissions arising from material transportation and supply chain activities.

Scope 1: Emissions from fuel oil and gas-fired equipment

- Emissions from fuel oil equipment: When fuel-powered machinery such as diesel-driven backup drilling rigs and transport vehicles are in operation, they generate greenhouse gases including carbon dioxide and nitrous oxide.

- Emissions from gas-fired equipment: With the increase in the number of stores, the scale of hot water supply systems and disinfection equipment powered by natural gas has expanded, leading to a corresponding increase in carbon emissions from their combustion.

Scope 2: Emissions from purchased electricity

- As the business scale expands, electricity consumption continues to increase. Given that the power grid is mainly supplied by fossil energy, carbon dioxide emissions have risen accordingly.

Scope 3*: Emissions from material transportation and supply chain activities

- Carbon emissions are generated from the logistics and transportation of dental consumables, pharmaceuticals, as well as the long-distance delivery of decoration materials.

- Greenhouse gases are emitted from the incineration or landfill disposal of medical waste such as discarded dental molds and disposable consumables.

* Note: Scope 3 includes a total of 15 categories, namely purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchising, and investments. At present, the Group has identified supply chain-related emissions under Scope 3, such as those from upstream transportation and distribution, and purchased goods and services. Going forward, we will continue to improve the identification of Scope 3 categories, as well as the collection and disclosure of emission data.

EMISSION REDUCTION MEASURES

To reduce greenhouse gas emissions, the Group has actively implemented energy conservation and emission reduction measures. We have taken a comprehensive approach to promote low-carbon development by focusing on multiple aspects, including optimizing the energy structure, enhancing energy efficiency, adopting digital management, and promoting green office practices.

Optimization of Energy Structure

The Group has actively promoted electrification and clean energy initiatives. In the construction process, we fully popularized electric tools such as electric drills and grinders to replace fuel-powered equipment, thereby reducing carbon emissions from fuel combustion at the source. In logistics and commuting, we formulated a vehicle replacement plan, gradually replacing fuel-powered vehicles with new energy vehicles to reduce exhaust emissions.

Energy Efficiency Improvement Initiatives

The Group has built an advanced energy management system to monitor the electricity consumption of each store and office area in real time. We set energy efficiency thresholds for high-energy-consuming equipment such as large dental chairs and air conditioning units. When the energy consumption of the equipment exceeds the threshold, the system will automatically issue an early warning and activate the energy-saving mode. Meanwhile, we promoted the replacement of LED lighting and the application of intelligent switch control systems to reduce electricity consumption and effectively cut down indirect carbon emissions.

Digital Management

The Group has established a digital carbon management system that integrates emission data from various aspects such as fuel consumption, electricity usage, and supply chain transportation. It dynamically calculates greenhouse gas emissions and generates a "leaderboard" for emission reduction among stores and regions. Based on the emission reduction data and progress, we dynamically adjusted emission reduction strategies to enhance the effectiveness of emission reduction efforts.

Eco-friendly Office Practices

The Group actively carried out a series of "Low-Carbon Medical Treatment/Office" training sessions to enhance employees' awareness of energy conservation and emission reduction. Meanwhile, we vigorously promoted green and low-carbon office models such as paperless medical records and online meetings to reduce paper consumption.

We also established a "Low-Carbon Model" incentive mechanism to encourage employees to propose energy-saving and carbon-reduction solutions, such as optimizing equipment standby modes and developing waste recycling plans, thereby fostering a positive atmosphere where all staff participate in emission reduction efforts.

VI. Promoting Green Operation

(III) REDUCING THE ENVIRONMENTAL IMPACT OF BUSINESS OPERATIONS

The Group has strictly complied with the *Environmental Protection Law of the People's Republic of China*, the *Environmental Impact Assessment Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise* and other relevant laws and regulations. In addition, we continually refined internal systems, including environmental impact assessment system, dust control system, sewage discharge management system, waste management system, environmental protection training system, supervision and inspection system, emergency response plan for sudden environmental incidents, and environmental risk prevention and control measures, to reduce the negative impact of operational activities on the ecological environment. Meanwhile, we have implemented comprehensive qualification management for waste gas, waste liquid, solid waste, and hazardous substances in our institutions. We have established a complete closed-loop management system covering the formulation, implementation, and inspection of practical management systems. For the year 2024/25, the Group was not subject to any administrative penalties or related litigation because of environmental pollution.

WASTE GAS MANAGEMENT

The main source of atmospheric pollutant emissions of the Group is the dust generated during the construction process of stores. To address this, we have established an environmental protection system and formulated the *Environmental Management Measures for Arrail Group's Engineering Projects*, which specify detailed dust control measures.

The Clean Transformation of Equipment	• Power Equipment: Fully implement the principle of "electrification + cleanliness", utilizing 100% electric tools (such as drills and grinders) during construction processes, with fuel-powered machinery reserved solely for extreme emergency situations; • Transportation Tools: Equip electric freight tricycles to achieve full electrification for short-distance transportation, and encourage contractors to prioritize the use of new energy transportation vehicles.
Intelligent Dust Prevention and Control	• Introduce intelligent dust monitoring system, to provide real-time monitoring of PM2.5 and PM10 emission data. When levels exceed standards, it automatically triggers a coordinated dust suppression mechanism involving mist cannons and perimeter spray systems; • Equipped with fully enclosed intelligent waste bins that integrate sensor-activated doors and negative pressure dust removal systems, achieving zero dust emission during waste transfer.
Digitalization of Decoration Materials	• An environmental protection material traceability database has been established, with all materials recorded in the system to verify their environmental certification and VOC emission data, ensuring 100% compliance with indoor air quality standards.

This year, the Group launched the "Green Commuting" initiative, actively promoting the use of clean energy vehicles. We have installed charging stations at our stores and parking lots, and introduced incentives such as charging fee subsidies and exclusive parking spaces to encourage employees to choose new energy vehicles for commuting, thereby reducing automobile exhaust emissions.

WASTEWATER MANAGEMENT

The Group prioritized the treatment of medical wastewater as a key aspect of its environmental protection efforts, strictly adhering to national and industry standards such as the *Standard for Discharge of Water Pollutants from Medical Institutions*, the *Technical Specifications for Hospital Water Treatment Works* and the *Technical Guideline for Hospital Wastewater Treatment*. We have equipped all hospitals and clinics with professional sewage purification equipment and integrated them into the Group's environmental management platform for intelligent monitoring, ensuring that 100% of the pretreated wastewater meets the standards before being discharged into the municipal sewer network. Given the unique characteristics of dental clinic wastewater, we employed a dual disinfection process combining "ultraviolet ray + ozone" technologies, achieving a pathogen inactivation rate of 99.99% and significantly enhancing the quality of the effluent.

In terms of management mechanisms, we have legally obtained the pollutant discharge permit and established a comprehensive operation and maintenance logbook as well as a testing mechanism. We have set up a dedicated supervision department and equipped it with a professional operation and maintenance team, implementing a 24-hour equipment inspection and rapid fault response mechanism. For the sludge treatment process, we have constructed a "full-process quality control" system, regularly entrusting qualified third-party organizations to carry out sludge removal and disinfection, and requiring them to upload various testing data in real-time to ensure traceability at every stage.

In addition, we also imposed strict control over wastewater generated during construction. By installing treatment facilities such as sedimentation tanks and oil separation tanks, and in conjunction with the promotion and application of water-saving equipment, we ensured that the wastewater meets discharge standards and achieve source reduction.

WASTE MANAGEMENT

The solid waste generated by the Group mainly comes from harmless waste, such as domestic waste, and hazardous waste, such as medical waste. We handled waste in strict accordance with the Group's *Regulations on the Administration of Medical Wastes*, the *Hazardous Waste Management System* and other relevant provisions.

For the domestic waste generated in daily operations, the Group has established a strict waste classification management system. We conducted publicity campaigns on domestic waste classification knowledge, appointed dedicated personnel to guide proper waste disposal and maintain records, and specified the time and location for disposing of different types of domestic waste, achieving full-process supervision. Meanwhile, we strictly enforced waste classification in construction sites, store office areas and other locations. For recyclables such as dental model waste and plastic packaging, we uniformly entrusted them to professional environmental protection enterprises for resource utilization, enhancing the waste recycling rate. For waste generated during renovation projects, we developed a "reduction design + precise recycling" model. Before construction, we conducted pre-assessments of waste materials and optimized the installation plans for medical equipment to minimize waste generation. Additionally, we implemented classified treatment for the offcuts produced-recyclables are reused, while non-recyclables are handed over to green-certified disposal enterprises for standardized treatment. We also maintained an electronic ledger throughout the entire process to ensure "zero illegal landfills".

VI. Promoting Green Operation

For medical waste, the Group has strictly adhered to the provisions of the *Classified Catalogue of Medical Wastes* to implement source classification management. Each medical clinic and hospital shall ensure that the packaging of medical wastes is in line with the requirements of the *Standard of Packaging Bags, Containers and Warning Symbols Specific to Medical Wastes*. We set up dedicated temporary storage rooms and placed medical waste storage containers provided by qualified third-party transportation companies. Dedicated personnel were responsible for sealing and placing medical waste into the containers on a daily basis. We have signed transportation agreements with qualified medical waste transportation companies to ensure that medical waste was transported within 48 hours. During the transportation process, responsible personnel must meticulously recorded information such as the weight of the waste transported, types of waste, transporter, receiver, license plate number, and transportation location to establish a complete traceability chain.

Meanwhile, the Group encouraged suppliers and manufacturers to design and produce product packages that are easy to recycle, dispose of, or degrade in accordance with national clean production regulations. By restricting excessive packaging and establishing a package recycling system, we aimed to reduce pollution from medical and domestic waste generated by one-time consumption. We also encouraged employees to use reusable shopping bags or containers and practice the "Clean Plate Campaign" to promote waste reduction at the consumption end.

NOISE MANAGEMENT

The Group has formulated a sound management mechanism for noise pollution that may be generated during the construction process. Through whole-chain control, we strived to minimize the adverse environmental impacts as much as possible through full-chain control.

We clearly stipulated the specific management measures for noise in the *Environmental Management Measures for Arrail Group's Engineering Projects*, including:

In terms of construction operation hours, we strictly distinguished between daytime and nighttime operations, and implemented a "local adaptation" strategy. Based on the environmental protection requirements of different urban areas, such as residential areas and commercial districts, we customized a "one store, one strategy" construction schedule and automatically schedule it through the project management system, to avoid sensitive times such as residents' rest hours and prevent noise disturbance.

In terms of reducing equipment noise, we have introduced the "intelligent operation and maintenance" model. Noise reduction modules have been installed on noise-generating equipment used in construction and dental treatments, such as dental drills and air compressors, to enable real-time monitoring of noise levels. If any abnormalities are detected, shock-absorbing pads are promptly replaced to control noise at its source. Meanwhile, we required that vehicles refrain from honking when entering construction sites, materials be handled gently during loading and unloading, and noisy activities be avoided during nighttime operations.

In terms of personnel management, we have incorporated noise control into the "points-based assessment system". If construction workers engage in violations such as excessive noise at night or throwing construction materials, such behaviors will be directly linked to the performance bonuses of individuals and their teams, as well as their eligibility for undertaking projects.

REGULATING GREEN CONSTRUCTION

The Group has strictly complied with construction-related laws, regulations and standards, and has formulated the *Environmental Management Measures for Arrail Group's Engineering Projects*. We were committed to using eco-friendly decorative materials to create dental treatment spaces and implementing comprehensive green management throughout the entire process to protect the environment. During store construction, we adopted advanced green materials and processes, and clearly stipulated requirements for reducing dust and sorting and recycling renovation waste, minimizing impact on environment. We actively promoted the use of high-grade environmentally friendly materials such as water-based paints and formaldehyde-free panels, and have established a material traceability QR code system to facilitate verification of environmental qualifications. Additionally, we conducted rigorous reviews and supervision of materials such as tiles, paints, panels and flooring to ensure they are in accordance with E0 level or higher environmental protection standards. Furthermore, we regularly organized trainings on construction material management as well as explored the application and technological innovation of the new material for environmental protection, driving green construction toward a more eco-friendly direction beyond mere compliance with standards.

KPI: EMISSIONS

Indicator	Unit	The year 2024/25
Total GHG emissions (Scope 1 and Scope 2)	tonnes carbon dioxide equivalent	3,090.11
Total GHG emissions per unit area (Scope 1 and Scope 2)	tonnes carbon dioxide equivalent/square meter	0.04
Direct GHG emissions (Scope 1)	tonnes carbon dioxide equivalent	148.34
Petrol	tonnes carbon dioxide equivalent	142.43
Diesel	tonnes carbon dioxide equivalent	5.91
Indirect GHG emissions (Scope 2)	tonnes carbon dioxide equivalent	2,941.78
Purchased electricity	tonnes carbon dioxide equivalent	2,941.78
Atmospheric pollutant emissions	kilogram	56.14
NO_x	kilogram	55.83
SO_2	kilogram	0.31
Wastewater discharge	tonnes	120,712.00
Total hazardous waste	tonnes	222.50
Total hazardous waste per unit area	kilogram/square meter	2.76
Total non-hazardous waste	tonnes	79.70
Total non-hazardous waste per unit area	kilogram/square meter	0.99

VI. Promoting Green Operation

Notes:

1. The key performance indicators of emissions cover the administrative office area of the Group, the Group's hospitals and clinics in Beijing, Shanghai, Guangzhou, Chongqing and Chengdu. The remaining parts have not been included, but will be included in the statistics in due course according to the actual situation in the future;

2. The GHG inventory includes carbon dioxide, methane and nitrous oxide, which are mainly derived from the use of purchased electricity, gasoline and diesel. GHG emissions are calculated according to the *Power Carbon Dioxide Emission Factor in 2021* and the *Announcement on the Release of Power Carbon Dioxide Emission Factor in 2022* released by the Ministry of Ecology and Environment and the National Bureau of Statistics of China, and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* published by the Intergovernmental Panel on Climate Change (IPCC), and are presented in terms of CO_2-equivalent;

3. Non-hazardous wastes are handed over to waste disposal units, mainly including waste paper, discarded office stationery and domestic waste generated in the office area;

4. Hazardous wastes are handed over to qualified third-party recyclers for disposal, mainly including waste toner cartridges, waste ink cartridges, waste batteries and medical wastes;

5. The Group's sewage includes domestic sewage as well as wastewater generated by hospitals and clinics.

(IV) OPTIMIZING RESOURCE UTILIZATION

The Group has strictly adhered to the requirements of laws and regulations such as the *Energy Conservation Law of the People's Republic of China* and the *Water Law of the People's Republic of China*, and has formulated relevant internal systems and documents to promote energy conservation and consumption reduction initiatives. We launched the initiative and request to all employees of "Energy Conservation and Consumption Reduction, Arrail Takes Action" and incorporated indicators related to the optimization of resource utilization into the employee performance appraisal system. At the same time, we continued to promote green office, implement a number of energy conservation and consumption reduction technical upgrades, constantly optimizes the use of resources to enhance the efficiency of resource utilization.

REINFORCING ENERGY CONVERSATION AND CONSUMPTION REDUCTION

To strengthen energy management, reduce consumption and improve efficiency, the Group has established a "smart + full-process" control system and formulated the *Energy Full-Cycle Management Specifications* which covers the entire process from equipment procurement to operation, maintenance, and scrapping. We have upgraded our Building Management System (BMS) with the new function of AI-powered energy consumption prediction. Based on data such as peak and off-peak periods for medical services and weather conditions, the system can adjust the power output of lighting and air conditioning equipment to reduce energy consumption. Additionally, we continued to conduct specialized trainings on energy conservation and consumption reduction, enhancing employees' awareness of energy-saving practices in office working and commuting scenarios, and encouraging all employees to participate in improving energy efficiency.

This year, the Group implemented three major energy-saving measures during the construction and renovation of stores.

- Comprehensively upgrading the lighting system with dimmable LED lighting sources integrated into the BMS, automatically adjusting brightness based on outdoor light levels, which achieves a 40% energy savings compared to traditional lighting sources;

- Adopting magnetic levitation variable-frequency air conditioning units and optimizing the building layout to reduce heat and cold source transmission losses, which improves system energy efficiency by 35%;

- Promoting the use of electric construction tools powered by mobile photovoltaic energy storage devices to replace traditional fuel-powered equipment.

At the same time, we have put forward clear suggestions and requirements for employees in the *Management Measures for Energy Conservation and Consumption Reduction of Arrail Group*:

Conservation of office electricity

- Each department designates one employee as the electricity-saving supervisor for the office area.
- Offices and business premises with sufficient natural light should make full use of outdoor light sources.
- In summer, the air conditioning temperature should be set at 27°C (depending on specific conditions), and power and air conditioning should be turned off in unoccupied rooms. After work every day, employees should consciously turn off the power.
- Water dispensers are only allowed in two public areas, and the use of electric kettles, tea makers, and other electrical appliances at private workstations is strictly prohibited.
- Cut off the power supply to office equipment during non-use periods.
- Use simple screensavers on office computers and promptly turn off the monitors.
- Unplug power plugs after shutting down computers.
- Set the brightness of office computers to a suitable level.

Conservation of office supplies

- Strictly approve and control the purchase, use and distribution of office supplies.
- Whenever possible, use electronic documents without affecting daily work, such as converting employee labor contracts to electronic versions.
- Reduce the number of printing and copying tasks, and advocate double-sided printing.

Reduction in office emissions

- Encourage employees to travel greenly by taking public transportation instead of private cars.
- Encourage carpooling among employees for business trips.
- Encourage employees to use electric bikes or bicycles for short trips.
- Encourage employees to bring their own meals, thereby reducing emissions from food delivery vehicles.

VI. Promoting Green Operation

SAVING WATER RESOURCES

The Group has formulated systems such as the *Water and Electricity Saving Policy of Rytime Dental Hospital* and the *Smart Water Conservation Management Measures of Rytime Dental Store*, clearly specifying measures to save water resources. We have continuously strengthened the daily maintenance and management of water equipment, regularly check faucets, and post water-saving slogans at water-using equipment. By doing so, we can enhance employees' awareness of water conservation and prevent "constant water leakage" so as to minimize the waste of water resources. To improve the efficiency of water resource utilization, we implemented a graded standard for recycled water reuse, requiring that recycled water treated from medical wastewater be prioritized for use in car washing and landscaping.

Water-saving measures during construction and renovation

Use water-saving appliances and equipment, and add the leak detectors at the end of drainage pipes to enable timely leak detection and maintenance.

Set up rainwater and air conditioning condensate collection systems to use the collected water for dust suppression and landscaping irrigation, with an annual non-traditional water source utilization rate of 25%.

Implement the "dry construction + recycled water" process, such as using modular assembly in oral treatment areas to reduce water usage from wet construction.

Equip grinding and cleaning processes with water recycling treatment device, achieving a water resource reuse rate exceeding 60%.

Water-saving measures in hospital and clinic

Install water-saving toilets, sensor-controlled faucets or water-saving faucets to avoid waste of water caused by accidentally touching or forgetting to turn off the faucet.

Optimize the water usage process in oral diagnosis and treatment, for example, reasonably controlling the water flow rate and time during teeth cleaning to avoid unnecessary waste of water resources.

Help employees develop the habit of saving water, such as promptly turning off faucets.

Explore the possibility of recycling and reusing some wastewater for non-medical purposes such as cleaning and sanitation.

KPI: USE OF ENERGY AND RESOURCE

Indicator	Unit	The year 2024/25
Total energy consumption	MWh	6,060.55
Total energy consumption per unit area	MWh/square meter	0.08
Direct energy consumption	MWh	578.30
Petrol	MWh	556.49
Diesel	MWh	21.81
Indirect energy consumption	MWh	5,482.25
Purchased electricity	MWh	5,482.25
Water consumption	tonnes	124,163.00
Fresh water	tonnes	124,163.00
Total water consumption per unit area	tonnes/square meter	1.54

Notes:

1. The key performance indicators of energy and resource cover the administrative office area of the Group, the Group's hospitals and clinics in Beijing, Shanghai, Guangzhou, Chongqing and Chengdu. The remaining parts have not been included, but will be included in the statistics in due course according to the actual situation in the future;

2. As the statistical scope for this year does not include processing plants, the packaging material indicators are no longer applicable.

VI. Promoting Green Operation

(V) ENVIRONMENTAL TARGETS

We have set environmental targets to better guide the Group's environmental work, to put our philosophy of environmental protection, energy conservation and emissions reduction into action, thereby improving our ESG performance.

Type of targets	Setting of targets	Completion status for the year 2024/25	Completion progress
Target of emissions	• For the year 2024/25, the Group will reduce per capita GHG emissions from purchased electricity by 3%, compared to the year 2022/23, by switching to LED lights, further implementing the *Energy Conservation and Resource Management System*, increasing the use of renewable resources such as solar energy, promoting computer power-saving modes, and adjusting the temperature of air conditioners in winter and summer	Completed	For the year 2024/25, per capita greenhouse gas emissions from purchased electricity decreased by 35% compared to the year 2022/23
	• For the year 2025/26, the Group will increase the proportion of business travel by high-speed railways to 50% through methods such as the financial reimbursement policies and regulations governing staff business travel	In progress	For the year 2024/25, the percentage of business travel by high-speed railways reached 43%
	• For the year 2025/26, the Group will reduce domestic/ global business trips by 30%, compared to the year 2021/22, by enhancing online meetings and communication based on relevant regulations governing staff business travel	Completed	For the year 2024/25, the number of business trips in domestic/ global regions decreased by 30% compared to the year 2021/22

Type of targets	Setting of targets	Completion status for the year 2024/25	Completion progress
Target of waste reduction	• From the year 2022/23, the Group will carry out garbage sorting and recycling throughout the Group and entrust qualified third-party institutes to dispose of 100% of hazardous wastes generated from operations in compliance with regulations	Completed	For the year 2024/25, the Group has entrusted 100% of the hazardous waste generated from operations to qualified third-party entities for compliant disposal
	• From the year 2023/24, the Group will promote direct-drinking water in office buildings at all operating sites, and purchase less bottled water/barrelled water in order to reduce the generation of plastic wastes	In progress	For the year 2024/25, the coverage of direct-drinking water in office buildings at all operating sites reached 90%
	• For the year 2024/25, the Group will replace 60% of plastic garbage bags with biodegradable ones	Completed	For the year 2024/25, the Group has replaced 60% of plastic garbage bags with biodegradable ones

VI. Promoting Green Operation

Type of targets	Setting of targets	Completion status for the year 2024/25	Completion progress
Target of energy efficiency	• For the year 2024/25, the Group will reduce per capita electricity consumption by 3%, compared to the year 2022/23, by switching to LED lights, further implementing the *Energy Conservation and Resource Management System*, increasing the use of renewable resources such as solar energy, promoting computer power-saving modes, and adjusting the temperature of air conditioners in winter and summer	Completed	For the year 2024/25, per capita electricity consumption decreased by 14% compared to the year 2022/23
	• From the year 2023/24, the Group plans to continue the purchase of renewable energy certificates to offset the electricity consumed in operations	Target adjustment	For the year 2024/25, the Group did not purchase any renewable energy certificates yet[2]
	• For the year 2023/24, the Group will achieve a 100% installation rate of inverter air conditioners and energy-saving lamps	Completed	For the year 2024/25, the adoption rate of inverter air conditioners and energy-saving lamps in the Group has reached 100%

[2] Based on long-term considerations of its energy strategy, the Group currently plans to prioritize internal energy conservation and explore direct renewable energy projects. As a result, we have not implemented the originally planned purchase of Renewable Energy Certificates (RECs). In the future, the Group will continue to monitor energy development trends and assess the applicability of purchasing RECs or other similar mechanisms at appropriate times.

Type of targets	Setting of targets	Completion status for the year 2024/25	Completion progress
Target of water efficiency	• For the year 2024/25 and the year 2026/27, the Group will reduce per capita water consumption by 3% and 15% respectively, compared to the year 2022/23, by adopting water-saving faucets and sanitary ware, increasing reclaimed water circulation systems and enhancing the implementation of the *Energy Conservation and Resource Management System*	In progress	For the year 2024/25, the Group achieved the target, reducing per capita water consumption by 10%
	• For the year 2024/25, the Group will achieve a 90% replacement rate for old wastewater treatment facilities	In progress	For the year 2024/25, the Group replaced 80% of old wastewater treatment facilities
	• For the year 2023/24, the Group will achieve an 80% retrofitting rate of electronic valves in drainage piping systems	Completed	For the year 2024/25, the installation rate of electronic valves in the drainage piping system of the Group has reached 100%
	• For the year 2024/25, the Group's automatic sensor water tap installation rate will reach 90%	Completed	For the year 2024/25, the installation rate of automatic sensor water tap in the Group has reached 90%
Other environmental targets	• From the year 2023/24, the Group will prioritize the LEED-certified buildings when renting/purchasing new workplaces	Completed	For the year 2024/25, the Group has given priority to buildings that have obtained LEED certification

VI. Promoting Green Operation

Based on the active promotion of various environmental protection goals for the fiscal year 2024/25 and the achievement of phased results, the Group has established a series of long-term goals in line with its long-term development. We comprehensively deepen energy conservation and carbon reduction, optimize water resource management, strengthen waste management and promote the layout of green buildings.

Name of targets	Setting of targets
Energy conservation and carbon reduction	By 2030, the Group will reduce carbon emissions per unit of revenue from operation by 50%, compared to the year 2022/23, by increasing the proportion of self-generated renewable energy (such as distributed photovoltaics) and reducing reliance on purchased electricity.
Waste management	By 2030, the Group will achieve a recyclable material resource utilization rate of over 80%, zero violations in the disposal of hazardous waste, and full-process tracking and management; basically eliminate single-use plastic products (except in necessary medical scenarios) and achieve full coverage of biodegradable materials.
Green buildings	By 2030, 100% of new office/medical facilities will meet LEED or similar high-level green building standards. Existing buildings will be renovated and upgraded in phases to improve energy efficiency and environmental friendliness.
Water resource management	By 2030, the Group will reduce per capita water consumption by 30%, compared to the year 2022/23, establish a complete closed-loop system for recycled water reuse, and achieve a utilization rate of non-traditional water sources exceeding 50%.

VII. Caring for Employees and Society

The Group regards talent as the core driving force of its development and invests heavily in talent acquisition. We help employees enhance their professional skills, plan their career development, and realize their own value. We safeguard the legitimate rights and interests of our employees and provide them with competitive salaries and benefits. We strive to create a healthy, safe, and harmonious work environment. Adhering to the core philosophy of "integrity, professionalism and being a good person", we fulfill our social responsibilities, leverage our professional strengths, and collaborate with the community to promote the sustainable development of the social healthcare industry.

(I)   PROTECTING EMPLOYEES' RIGHTS AND INTERESTS

The Group has strictly complied with relevant laws and regulations concerning employee rights, such as the *Labor Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Rules on the Labor Protection of Female Employees* and the *Implementation Measures for Paid Annual Leave for Employees of Enterprises*, and continued to monitor their changes to ensure compliance in operation. We strived to provide employees with a fair, diversified and equal working environment, and have developed relevant internal rules and regulations such as the *Employee Manual of Arrail Group*, which covers recruitment, termination of employment, remuneration and benefits, promotion and development, working hours, leave management, anti-discrimination and other aspects. In doing so, we can protect employees' rights and interests in an all-round way, improving their happiness and sense of belonging.

Protecting Employee's Rights to Build a Harmonious Workplace

•   We signed formal labor contracts with all employees in accordance with the law and provide them with basic guarantees such as social insurance and housing fund, achieving 100% coverage of formal employees.

•   We processed retirement procedures for employees who have reached the statutory retirement age and provide them with pension and retirement benefits.

•   We respected religious beliefs and encourage internal cultural diversity. We also forbid any discrimination based on race, gender, place of origin, age and health status.

•   We valued the opinions of our employees and establish a smooth and efficient communication channel for them, ensuring that they can provide feedback to the Group's management at any time through suggestion boxes, emails and other online or offline channels.

VII. Caring for Employees and Society

The Group has strictly prohibited the employment of child labor and forced labor. By the way of strictly checking the identification documents of the candidates one by one, the Human Resources Department ensured that the recruits have reached the legal working age and voluntarily participated in labor. In case of any child labor or forced labor, we will actively take remedial measures, communicate with the labors concerned and their legal guardians, and make proper arrangements for them in accordance with the law.

This year, the Group did not encounter any significant issues that violate labor-related laws and regulations, infringe on employee rights, or have a substantial impact on the Group. We were not subject to any penalties related to the protection of employee rights, nor did we face any employee strikes arising from labor disputes, contract negotiation breakdowns or other issues.

The Group has Won the Title of "China Preferred Employer of the Year" by Zhaopin for Three Consecutive Years

KPI: EMPLOYMENT AND TURNOVER RATE

As at March 31, 2025, the Group had totally 3,378 employees including part-time and internship, with an annual turnover rate of 23.03%.

Indicator		Unit	The year 2024/25
Total number of employees		person	3,378
Number of employees by gender	Male	person	638
	Female	person	2,740
Number of employees by age	Age 30 and below	person	1,424
	Aged 31 to 50	person	1,691
	Aged 51 and above	person	263
Number of employees by ethnicity	Han nationality	person	3,187
	Minority	person	191
Number of employees by geographical region	Beijing Area	person	1,067
	Non-Beijing area	person	2,311
Number of employees by employment type	Full-time (including re-employment)	person	3,111
	Part-time/Internship	person	267
Number of employees by job level	Dentist	person	1,012
	Number of female	person	633
	Nurse	person	1,116
	Number of female	person	1,104
	Customer service staff	person	580
	Number of female	person	569
	Administrative staff	person	445
	Number of female	person	301
	Marketing staff	person	225
	Number of female	person	133

Indicator		Unit	The year 2024/25
Number of employees by management level (i.e. junior, middle and senior)	Junior employees	person	2,797
	Number of female	person	2,336
	Number of female in revenue generating positions	person	2,143
	Middle employees	person	575
	Number of female	person	402
	Number of female in revenue generating positions	person	336
	Senior employees	person	6
	Number of female	person	2
	Number of female in revenue generating positions	person	0
Number of newly hired employees	Male	person	108
	Female	person	366
	Age 30 and below	person	294
	Aged 31 to 50	person	148
	Aged 51 and above	person	32
	Han nationality	person	447
	Minority	person	27
	Dentist	person	162
	Nurse	person	160
	Customer service staff	person	53
	Administrative staff	person	64
	Marketing staff	person	35
	Junior employees	person	445
	Middle employees	person	29
	Senior employees	person	0
Number and percentage of employees of internal transfers	Number of internal transfers or internal recruitment	person	62
	Percentage of internal transfers or internal recruitment	%	11.6
Employee turnover rate		%	23.03
Employee turnover rate by gender*	Male	%	23.63
	Female	%	22.91

Indicator		Unit	The year 2024/25
Employee turnover rate by age group*	Under 30 years old	%	28.78
	31 to 51 years old	%	17.89
	Over 51 years old	%	15.29
Employee turnover rate by region *	Beijing Area	%	22.73
	Non-Beijing area	%	23.17
Employee turnover rate of voluntary departures by position*	Dentist	%	18.01
	Nurse	%	18.58
	Others	%	13.10
Employee turnover rate of involuntary departures by position*	Dentist	%	4.98
	Nurse	%	4.82
	Others	%	9.62

*   The turnover rate excludes part-time employees and interns

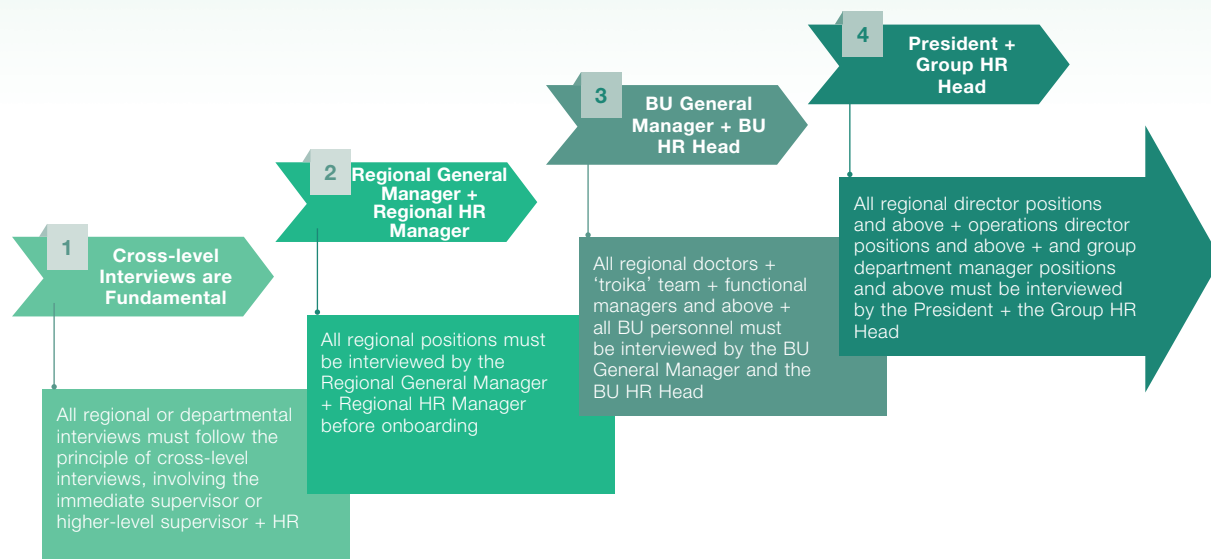## (II)   FACILITATING TALENTS' DEVELOPMENT

The Group valued the cultivation of talents and firmly believed that the development of employees is an important driving force for corporate development. We customized personalized career plans for different roles and build career development paths and growth systems for employees in various positions, so as to promote the shared development and growth of the enterprise and employees.

TALENT ACQUISITION

The Group have continued to build a high-quality workforce by actively introducing outstanding dental medical and management talents in the industry through various recruitment channels such as campus recruitment and website recruitment, to inject new forces into the corporate's development. In the process of talent introduction, the Group has strictly abided by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Rules for the Implementation of the Labor Contract Law of the People's Republic of China* and other employment related laws and regulations. At the same time, we continuously optimized our recruitment process. Based on cross-level interviews, HR accompanied the entire process, and the department and regional heads were required to conduct comprehensive evaluations of interview candidates, ensuring the quality of candidates.

VII. Caring for Employees and Society

Interview Process and Requirements

1	**Cross-level Interviews are Fundamental**

All regional or departmental interviews must follow the principle of cross-level interviews, involving the immediate supervisor or higher-level supervisor + HR

2	**Regional General Manager + Regional HR Manager**

All regional positions must be interviewed by the Regional General Manager + Regional HR Manager before onboarding

3	**BU General Manager + BU HR Head**

All regional doctors + 'troika' team + functional managers and above + all BU personnel must be interviewed by the BU General Manager and the BU HR Head

4	**President + Group HR Head**

All regional director positions and above + operations director positions and above + and group department manager positions and above must be interviewed by the President + the Group HR Head

This year, we established an effective campus recruitment interview mechanism for doctors, introducing 20 outstanding new doctors from well-known universities such as Sichuan University, Wuhan University, Lanzhou University and Chongqing Medical University, thereby strengthening our professional talent pool.

TALENT DEVELOPMENT

The Group has always regarded talent as a core resource and a key driver of development, providing employees with diverse growth paths and abundant opportunities. We have provided employees with dual channels of professional development and management development to help young doctors gradually advance from outstanding doctors to deputy directors, directors, regional presidents or specialist experts. Meanwhile, we focused on the cultivation of professional talent in each specialty and put in place a well-established system of assessment, evaluation and mentorship to enhance their professional skills.

The Group focused on the growth and development of female employees. We have established a regular mechanism for retaining female talent, providing them with fair career opportunities and ample room for growth. At the same time, we also provided professional trainings to help female employee improve their skills and realize their own value.

In terms of talent retention, the Group is committed to improving employee retention rates. For new employees, we assigned one-on-one mentors and HRBPs to provide comprehensive support, from career guidance to personal care, to help them integrate into the Group. At the same time, we promptly reviewed the experiences of regions with high retention rates and low turnover rates, distilled successful models, and promoted them throughout the Group.

Additionally, the Group attempted to establish a virtual partnership mechanism and build a profit contribution incentive mechanism in order to explore a more efficient cooperation model. In the future, we will gradually promote the partnership mechanism and restart the long-term incentive plan for core personnel, thereby consolidating the stability of key talents and driving the Group's long-term and stable development.

TALENT COMPENSATION

The Group is committed to providing employees with fair, reasonable and competitive compensation, optimizing commission mechanisms in a timely manner to ensure their efforts are appropriately rewarded. Our performance evaluation mechanism covered 90% of all employees, adopting goal-oriented methods to conduct monthly performance evaluations. Performance-related variable compensation accounted for an average of 62% of total employee income. Meanwhile, we incorporated scores of medical quality inspection into management performance evaluations and linked sustainable development indicators to management performance, providing specific incentives to drive the Group's sustainable development. Additionally, we have established a compensation claw back provision, where part or all of the long-term incentive benefits may be recovered for those who cause company asset losses by failing to perform or properly perform their duties, or who fail specific annual performance assessments.

Based on performance evaluation mechanism, we have developed a comprehensive incentive system combining long-term and short-term incentives. Long-term incentives are provided to some senior executives recruited through talent acquisition and outstanding managers at the "troika" level (i.e., Clinic Medical Director, Clinic Manager, Clinic Nurse Manager) and above. We have conducted an equity incentive mechanism, granting shares to senior managers and core personnel in key positions. As of March 31, 2025, 747 employees have been approved by the Board to be beneficiaries of this plan. For senior management and regional general managers, we have adopted a combination of long-term and short-term incentives. Long-term incentives include stock options with a validity period of up to 10 years, while short-term incentives are primarily performance-related variable compensation linked with performance indicators related to financial indicators such as revenue growth rate and profitability.

VII. Caring for Employees and Society

This year, we strengthened talent performance evaluation for core positions through a series of measures to improve management efficiency and motivate employees.

Improve the Evaluation Mechanism

Launching a performance review mechanism for core management personnel and a 360-degree assessment mechanism to evaluate the performance of management personnel from multiple dimensions.

Optimize Evaluation Criteria

Implementing an evaluation system for the moral character and competence of core management personnel in key positions such as operations general manager, hospital directors, clinic directors and doctors.

Improve the Honor System

Establishing four categories of honors and using objective data to evaluate and incentivize employees in key positions.

- Most Popular Doctor: Selected based on data such as the number of accurate initial diagnosis appointments, the activity level of existing customers, the number of initial diagnosis converted, the 5-star response rate, and doctor' revenue.
- Most Reputable Doctor: Selected based on data such as the number of accurate initial diagnosis appointments and the number of initial diagnosis converted.
- Customer Service Star: Selected based on data such as the number of follow-up visits from inactive customers, the follow-up visit rate of inactive customers, the conversion rate of follow-up visits from inactive customers, and the number of complex cases closed.
- Teeth Cleaning Star: Selected based on data such as the monthly conversion volume/rate for teeth cleaning and the initial diagnosis appointments conversion volume/rate for teeth cleaning.

TALENT CULTIVATION

The Group has continuously improved the employee training system that covers the entire career cycle of every employee. At the onboarding stage, all new employees were required to participate in the "orientation training", which includes general knowledge learning and introduction to different positions such as doctors, nursing, customer service and basic operation. After employees' one-year serving, Arrail Academy and the Group's dental clinics will jointly offer special promotion training programs of different forms and levels to employees, helping them consolidate their professional skills and achieve substantial career development.

This year, we comprehensively updated the talent development mechanism for the evergreen class and launched pre-service training courses for doctors and nurses, to implement high-quality pre-service training. At the same time, we carried out four specialized training programs, including the study program for the hospital directors, the values seminar for new managers, the training class for reserve directors and the training camp for campus recruitment new doctors, to support the development of employees at different levels.

The Evergreen Class

The Study Program for the Hospital Directors

The Values Seminar for New Managers

The Training Class for Reserve Directors

The Training Camp for New Doctors

The Group have launched the Arrail Knowledge Base to preserve and transmit our knowledge reserves, promoting knowledge sharing and application, supporting learning and training, and improving work efficiency. On this basis, we have established a training mechanism that combines online and offline training. And we arranged training content based on changes in the industry and market, and continuously updated and improved it. Through various forms such as courses, training, meetings, case presentation and seminars, we strived to support the professional development of our employees. The platform has launched a total of 1,952 courses, with 21,012 members, 15,225 students and a total of 61,602 learning hours, which further improves our employees' professional skills.

VII. Caring for Employees and Society

The Group actively cooperated with domestic and international higher education institutions to conduct training and learning, and regularly organized visits and study of elite doctors to the School of Dental Medicine of the University of Pennsylvania. We also strengthened the talent strategic cooperation with colleges and universities like Peking University School of Stomatology, Southwest Medical University, West China School of Stomatology, Shanghai Second Medical University, the Fourth Military Medical University and Wuhan University. These partnerships enabled us to cultivate and attract high-quality dental professionals and continuously enhance the vocational skills and professional qualities of our employees. We set up Arrail excellent service scholarship in Peking University School of Stomatology. As of March 31, 2025, a total of RMB371,441 yuan has been donated, covering 198 students.

Case: Establishing the Occlusal Reconstruction Diagnostic Center to Enhance the Treatment of Complex Cases

In June 2024, we partnered with the Vienna School of Interdisciplinary Dentistry to establish the VieSID Occlusion Reconstruction Diagnostic Center at our Beijing Guomao branch, aimed at addressing the industry-recognized challenges in occlusion reconstruction. By the way of adopting the VieSID's Vienna theoretical framework, empowering doctors, introducing expert resources and fostering multidisciplinary collaboration, we have comprehensively enhanced our diagnostic and treatment capabilities for complex cases (particularly occlusal reconstruction) and strengthened our academic expertise. Ultimately, we will be able to provide patients with superior oral healthcare services.

VieSID Occlusal Reconstruction Diagnostic Center

PROFESSIONAL ENHANCEMENT

The Group attached great importance to the cultivation and improvement of employees' professional skills. We provided customized training mechanisms for employees in different positions, such as doctors, nurses and customer service staff, to accurately match their career development needs and help them continuously advance in their professional fields.

Trainings for Doctors

The Group has developed a comprehensive training system for doctors, including orientation training, mentorship training, training of new technology, internal further education training and specialty enhancement training from specialists, to fully enhance their professional skills from all aspects.

Orientation training for new doctors

After onboarding, new doctors are required to undergo pre-service training and assessment covering various topics such as basic standards for each specialty, Arrail's cultural heritage, customer management, doctor-patient communication and comprehensive management of complex cases.

Mentorship training

When completing the orientation training, new doctors will undergo two stages of mentorship training consisting of general practice and specialty training. The first stage involves 12 months of general practice training under the guidance of senior physicians, covering clinical skills such as endodontics, periodontics, surgery, periodontology, pediatric dentistry, and patient management capabilities. The second phase involves 24 months of specialty training under the guidance of specialty physicians (including 12 months of general practice training and 12 months of specialty training). Upon completion of the training, we will conduct a comprehensive assessment of the trainees' clinical skills, patient communication abilities, design of general practice treatment plans, and initial consultation capabilities to ensure that they meet the standards of junior attending physicians.

Training of new technology

We periodically provided doctors with training on the application of new technologies, including various new implant technologies, orthodontic techniques, pediatric early intervention treatment techniques, digital technologies (navigation, guide plate technology, ITARA digital scanning technology), new periodontic surgical techniques, new laser technologies, and related endodontic general and specialized treatment technologies, CT image interpretation, digital restoration technologies, and other specialized technical training, continuously enhancing doctors' technical levels.

Internal further education training

We conducted internal further education enrollment and training projects by fully leveraging the advantages of our internal expert, comprehensively supporting talent development.

Specialty enhancement training from specialists

We periodically invited experts to conduct specialty enhancement trainings, such as full-mouth occlusion reconstruction training courses, early intervention treatment training courses for children's dental and jaw development, and annual international multidisciplinary joint treatment seminars, to improve the professional level of doctors in various specialties.

Trainings for Nursing Staff

For nursing positions, the Group has organized over 300 trainings across the country in various forms such as online, offline, practical exercises, assessment, technical competitions, which effectively improve the overall quality and professional ability of oral nursing personnel, ensuring the quality of primary clinical medical treatment and nursing. At the same time, we provided customized and personalized professional skills training for nurses at different stages, comprehensively improving their professional qualities and technical skills.

New Nurse Onboarding Training

The orientation training for new nurses requires them to complete the professional knowledge learning via the online Arrail Academy platform and pass the exam within two weeks of their employment, and receive offline coaching and guidance according to their major. This year, we strengthened the practical assessment content of the high-quality nursing cooperation process that new nurses must undergo before becoming regular workers, emphasizing that both theory and practice must meet the standards.

In-service Nurse Training

- Nurse skill trainings include theoretical knowledge and practical training in general and specialized directions (implantology, orthodontics, prosthodontics, etc.), as well as infection control and emergency procedures. The Nursing Department requires clinics to integrate skill training into daily work, conduct nursing skill training 2-4 times per month and submit the records to them at the end of each month.
- Nursing management training is organized by the Group. And the Group also organizes training for head nurses and nursing department directors nationwide, covering topics such as enhancing team mentoring and management capabilities.

Since July 2024, we have been conducting nursing experience sharing sessions every month, inviting outstanding nursing managers and store nurses from across the country to share their experiences so as to promote communication and learning. This year, we successfully held eight sharing sessions, with 100% satisfaction among nursing staff.

Professional Skills Training Program for Nursing Staff

VII. Caring for Employees and Society

Case: Conducting Emergency Training to Safeguard Life and Health

In January-February 2025, the Group conducted specialized training on "Management of Commonly Used Emergency Equipment and Medications in Dental Healthcare Facilities" and "Emergency Response to Patient Emergencies", focusing on enhancing the capabilities of dental clinics in emergency equipment management and emergency response. We emphasized that emergency equipment management must strictly adhere to the three principles of "designated personnel, designated locations and regular inspections", ensuring that equipment such as AEDs, oxygen supplies, and suction devices are always available and reliable. Additionally, we have established a closed-loop management system featuring "identification and warning – swift response – efficient team collaboration". Led by clinic directors and nurse managers, we integrate mandatory training, practical drills, and performance tracking into routine operations, ensuring professional expertise and collaboration to safeguard life and health.

Trainings for Customer Service Staff

For customer service positions, the Group regularly conducted exclusive customer service learning and sharing sessions that focus on key topics such as service process standards, communication skills and excellent service case studies. Through in-depth explanations and case studies, we helped customer service staff learn how to collaborate effectively with doctors and nurses, thereby providing higher-quality and more attentive diagnostic and treatment service experiences for customers.

KPI: EMPLOYEE TRAINING

As of March 31, 2025, a total of 3,378 employees of the Group participated in the training, accounting for 100% of the whole workforce, with the average training time per employee of 13 hours.

Indicator		Unit	The year 2024/25
Proportion of trainees by gender	Male staff	%	100
	Female staff	%	100
Proportion of trainees by employee category	Dentists	%	100
	Nursing staff	%	100
	Customer service staff	%	100
	General administrative staff	%	100
	Marketing staff	%	100
Average training hours per employee by gender	Male staff	hour	13
	Female staff	hour	13
Average training hours per employee by employee category	Dentists	hour	20
	Nursing staff	hour	12
	Customer service staff	hour	12
	General administrative staff	hour	10
	Marketing staff	hour	10

(III) CARING FOR PHYSICAL AND MENTAL HEALTH

The Group is dedicated to creating a safe and comfortable workplace for all employees, and advocated for a healthy and balanced working style, to safeguard the occupational health and safety of employees. We have strictly abided by laws and regulations related to occupational health and safety such as the *Labor Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the *Regulation on Work-Related Injury Insurance*. Based on the occupational health and safety management system, we have developed a performance appraisal system, and have established quantified safety and health objectives to continuously optimize the safety performance. Additionally, we actively negotiated with employee representatives on occupational health and safety issues, establish relevant collective agreements and an internal management system for employee health and safety covering all employees and contractors, continuously enhancing our safety and health standards.

OCCUPATIONAL HEALTH

The Group was concerned about the physical health of employees and organized annual physical examinations for all employees, enabling them to stay informed about their health status in a timely manner, and to detect and treat existing or potential health problems as early as possible.

We were deeply aware that the use of radiological medical equipment may pose potential risks to the health of employees. In the actual operation, we have strictly complied the requirements of radiation related laws and regulations such as the *Provisions on the Administration of Radiological Diagnosis and Treatment*, the *Regulations on the Safety and Protection of Radioisotopes and Radiation Devices*, and the *Measures for the Administration of Safety Licensing for Radioisotopes and Radiation Devices*. We obtained the necessary licenses for diagnostic technology and medical radiation institutions in accordance with the laws, ensuring that the radiation levels of our diagnostic equipment and workplaces meet national standards. Meanwhile, we set strict requirements for the use of radiation devices, protective facilities, and the qualifications of operators. Besides, we actively cooperated with the environmental protection administrative department and other relevant departments in their regulatory oversight, and carried out related procedures such as environmental impact approval, acceptance and radiation safety licensing in accordance with the law, to create a safe and healthy working environment for our employees.

Based on the requirements of relevant laws and regulations, the Group has established a comprehensive work injury protection system and purchased medical insurance and work injury insurance for all employees to protect occupational health and safety. In case of any work injury, we ensured that the injured can be treated promptly by adopting a rapid and effective response mechanism. For each of the years 2022/23 to 2024/25, the Group's number and rate of work-related fatalities were both zero. The total number of lost days due to work injury was 281 days in the year 2024/25.

VII. Caring for Employees and Society

EMPLOYEE CARE

Centering on employees' actual needs, the Group is dedicated to creating a positive, harmonious and pleasant corporate culture, to enhance their sense of integration and identity with the corporate culture. We adopted a flexible attendance system, allowing a one-hour flexible range for clocking in and out based on an eight-hour workday. When encountering unexpected situations such as adverse weather, the department heads will make work arrangements, further relax clock-in and clock-out times, and provide the option of working from home for employees in need, helping employees to balance work and life. In addition, for employees in special periods, we provided them with welfare leave such as paid nursing care leave, breastfeeding leave and childcare leave to enhance their happiness and sense of belonging.

The Group actively provided financial and spiritual support for employees with difficulties in their daily lives. Since its establishment in 2012, the Arrail Foundation has supported and assisted 42 employees facing difficulties. For employees who have reached retirement age, we continue to provide medical benefits.

During holidays, we prepared gifts and greetings for all employees, and organized a variety of holiday celebrations, making employees feel the warmth of the Group. This year, we held more than 10 themed events, including DIY Women's Day event, Mid-Autumn Festival garden party and employee birthday party, allowing employees to relax from their busy work.

DIY Women's Day Event

Customized Picture Frame in Physician's Day

Consolation in Nurse's Day

Christmas Carnival

Employees' Birthday Party

Spring Festival Annual Party

(IV) BUILDING A BEAUTIFUL HOMELAND

Adhering to its core philosophy of "integrity, professionalism and being a good person", the Group actively fulfiled its social responsibilities as a corporate citizen, and promotes the sustainable development of the social healthcare industry with its reliable professionalism and humanistic care. This year, we formulated the *Community Public Welfare Precision Assistance Management Measures* and established a public welfare system integrating "medical care, education and sustainability", to carry out public welfare projects and community activities. We combined oral disease diagnosis and treatment with oral health publicity, and actively carried out charitable donations to develop hand in hand with the industry, community and the public, supporting the sustainable development of society.

Future Public Welfare Goals of the Group:

In September 2024, the public welfare campaign "Star Lighting Plan" for children with autism, jointly initiated by us and the China Oral Health Foundation, was officially launched. In the future, we will continue to provide professional care products and tools, free and basic treatment services for children with autism. We aim to serve 3,000 children with autism during the year 2025/26.

COMMUNITY ENGAGEMENT

Adhering to the philosophy of "serving communities and giving back to society", the Group paid attention to the oral health of community residents. This year, we deepened the community health services of our clinics to establish a new bridge for interaction between doctors and patients.

Community Open Day Activities

- With a 3-5 kilometer living circle as the core service radius, we regularly hold community open day activities every month. A joint working group, composed of professional physicians and market service personnel, provides residents with professional oral health knowledge lectures and free basic oral examinations.
- This year, we maintained a frequency of over 200 activities per month, with each session covering at least 20 people. These activities effectively enhanced the oral health awareness and medical convenience of residents in surrounding communities.

Establishment of Public Welfare Treatment Stations

- We set up long-term service stations in communities and equipped them with portable diagnostic equipment, distributing free oral health education kits.
- We arranged medical staff to take turns providing on-site consultations, serving more than 20,000 community residents.

Dental Care Initiative for the Silver-Haired Group

- We conducted monthly "Mobile Oral Health Clinics" activity for the elderly community, offering free teeth cleaning and denture care guidance.
- We jointly built an "Elderly Oral Health Archive" with the community committee, establishing over 20,000 records and intervening in more than 5,000 cases of periodontal disease and related issues.

VII. Caring for Employees and Society

BENEFITING THE PUBLIC WITH HEALTH CARE

In response to the national health strategy, the Group continuously carried out publicity activities related to health education and free clinical services in communities, enterprises and schools. At the same time, we effectively improved the oral health of the entire population through measures such as implementing medical policies that benefit our people and popularizing oral health knowledge.

This year, we launched the "Oral Health Express Plan", which fully enhanced the accessibility of medical services through the deep integration of online and offline channels.

Online Medical Consultation Express: We launched an AI-powered preliminary diagnosis service and real-time expert consultation channel available 7×12 hours. Patients can receive an initial treatment plan within 30 minutes of submitting their symptoms. For complex cases, a dedicated doctor will be matched within 24 hours, effectively addressing the consultation challenges for patients in remote areas and those with urgent needs.

Emergency Response Upgrade: We established a "Night/Weekend Emergency Response Team" to ensure a response within 1 hour during non-working hours (including emergency measures such as temporary pain relief and trauma hemostasis), thereby reducing the waiting time for oral emergency treatment.

Case: Free Treatment for Oral Health, Supporting Children in Remote Mountainous Areas

In October 2024, the Group, in collaboration with the China Oral Health Foundation and the Women's Federation of Tibet Autonomous Region, jointly organized the "Oral Health across China" public welfare activity to provide oral health care services to children in high-altitude border counties of Tibet. The event attracted 50 children aged 10-12 from border counties in the Tibet region. We not only provided these children with professional oral health services but also enhanced their awareness of oral care through educational outreach, thereby promoting their healthy growth.

Oral Health Charity Event

Case: Arrail Enters Campus to Popularize Oral Health

In December 2024, the Group collaborated with Western International School of Shanghai to host a friendly floorball match, using the sports setting as an opportunity for oral health education. Our professional doctors provided on-site education to students on methods of protecting teeth during sports, guiding teenagers on how to effectively reduce the risk of injuries to teeth, jawbones, lips, cheeks and tongue with mouth guards and other protective measures in competitive sports.

In January 2025, the Group visited Etonkids International Kindergarten, to conduct a "Little Dentist" experience activity. Through fun and interactive sessions, we helped children gain an intuitive understanding of dental care knowledge, develop the concept of loving and protecting their teeth, and enhance their awareness of oral hygiene.

"Little Dentist" Experience Activity

CHARITABLE DONATION

Adhering to the philosophy of "taking from society and giving back to society", the Group has built a diversified public welfare system including fundraising and volunteer services. We accurately met the needs of vulnerable groups and continuously carried out warm-hearted assistance actions.

This year, we held a total of 8 "Star Lighting Plan" promotional activities, serving approximately 630 people. Tailored to the oral health conditions and behavioral characteristics of children with autism, we have developed a customized oral care box – the "Star Dental Blue Box", to help them smile with health and confidence. At the same time, we visited special institutions and schools for people with autism to conduct on-site presentations, and provided oral care training, free consultations and basic treatment services for children with the condition and their parents.

VII. Caring for Employees and Society

Case: Launching "Star Lighting Plan" to Care for Children with Autism

In September 2024, we collaborated with China Oral Health Foundation to carry out the 14th Arrail Cup charity golf tournaments – "Swinging for Dreams, Warming Children", taking golf as a medium to raise funds for charity. Every attendee was full of love and contributed to the charitable cause. We raised a total of 48,600 yuan on that day, all of which was donated to the China Oral Health Foundation to support the "Star Lighting Plan" and care for the oral health of children with autism.

The 14th Arrail Cup Charity Golf Tournaments – "Swinging for Dreams, Warming Children"

Appendix

INDEX TABLE OF THE STOCK EXCHANGE'S *ESG REPORTING CODE*

Mandatory Disclosure Requirements	General disclosure and key performance indicators	Corresponding Reporting Location
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	SUSTAINABILITY MANAGEMENT – Statement of the Board of Directors
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: (1) **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. (2) **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. (3) **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	ABOUT THIS REPORT
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	ABOUT THIS REPORT

Appendix

"Comply or explain" Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
Environmental	A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	PROMOTING GREEN OPERATION – Controlling Greenhouse Gas Emissions; Reducing the Environmental Impact of Business Operations
		A1.1 The types of emissions and respective emissions data.	PROMOTING GREEN OPERATION – Controlling Greenhouse Gas Emissions; Reducing the Environmental Impact of Business Operations
		A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	PROMOTING GREEN OPERATION – Controlling Greenhouse Gas Emissions
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	PROMOTING GREEN OPERATION – Reducing the Environmental Impact of Business Operations
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	PROMOTING GREEN OPERATION – Reducing the Environmental Impact of Business Operations
		A1.5 Description of emissions target(s) set and steps taken to achieve them.	PROMOTING GREEN OPERATION – Environmental Targets
		A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	PROMOTING GREEN OPERATION – Reducing the Environmental Impact of Business Operations

"Comply or explain" Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
	A2 Use of Resources	General Disclosure: Policies on efficient use of resources, including energy, water and other raw materials.	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	PROMOTING GREEN OPERATION – Environmental Targets
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
	A3 The Environment and Natural Resources	General Disclosure: Policies on minimizing the issuer's significant impacts on the environment and natural resources.	PROMOTING GREEN OPERATION – Reducing the Environmental Impact of Business Operation; Optimizing Resource Utilization
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	PROMOTING GREEN OPERATION – Reducing the Environmental Impact of Business Operations; Optimizing Resource Utilization

"Comply or explain" Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
	A4 Climate Change	General Disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	PROMOTING GREEN OPERATION – Responding to Climate Change
		A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	PROMOTING GREEN OPERATION – Responding to Climate Change
Social	B1 Employment	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	CARING FOR EMPLOYEES AND SOCIETY – Protecting Employees' Rights and Interests
		B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	CARING FOR EMPLOYEES AND SOCIETY – Protecting Employees' Rights and Interests
		B1.2 Employee turnover rate by gender, age group and geographical region.	CARING FOR EMPLOYEES AND SOCIETY – Protecting Employees' Rights and Interests

"Comply or explain" Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
	B2 Health and Safety	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to providing a safe working environment and protecting employees from occupational hazards	CARING FOR EMPLOYEES AND SOCIETY – Caring for Physical and Mental Health
		B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	CARING FOR EMPLOYEES AND SOCIETY – Caring for Physical and Mental Health
		B2.2 Lost days due to work injury.	CARING FOR EMPLOYEES AND SOCIETY – Caring for Physical and Mental Health
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	CARING FOR EMPLOYEES AND SOCIETY – Caring for Physical and Mental Health
	B3 Development and Training	General Disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	CARING FOR EMPLOYEES AND SOCIETY – Facilitating Talents' Development
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	CARING FOR EMPLOYEES AND SOCIETY – Facilitating Talents' Development
		B3.2 The average training hours completed per employee by gender and employee category.	CARING FOR EMPLOYEES AND SOCIETY – Facilitating Talents' Development

"Comply or explain" Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
	B4 Labor Standards	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Relating to preventing child and forced labor:	CARING FOR EMPLOYEES AND SOCIETY – Protecting Employees' Rights and Interests
		B4.1 Description of measures to review employment practices to avoid child and forced labour.	CARING FOR EMPLOYEES AND SOCIETY – Protecting Employees' Rights and Interests
		B4.2 Description of steps taken to eliminate such practices when discovered.	CARING FOR EMPLOYEES AND SOCIETY – Protecting Employees' Rights and Interests
	B5 Supply Chain Management	General Disclosure: Policies on managing environmental and social risks of the supply chain.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Sustainable Supply Chain
		B5.1 Number of suppliers by geographical region.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Sustainable Supply Chain
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Sustainable Supply Chain
		B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Sustainable Supply Chain
		B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Sustainable Supply Chain

"Comply or explain" Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
	B6 Product Responsibility	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	IMPROVING MEDICAL SERVICE QUALITY – Ensuring Medical Safety; Enhancing Patients' Experience STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Privacy Protection and Information Security; Responsible Marketing
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group does not involve any percentage of total products sold or shipped that are subject to recalls for safety and health reasons.
		B6.2 Number of products and service related complaints received and how they are dealt with.	IMPROVING MEDICAL SERVICE QUALITY – Enhancing Patients' Experience
		B6.3 Description of practices relating to observing and protecting intellectual property rights.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Responsible Marketing
		B6.4 Description of quality assurance process and recall procedures.	IMPROVING MEDICAL SERVICE QUALITY – Medical Quality Management; Ensuring Medical safety; Enhancing Patients' Experience
		B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Privacy Protection and Information Security

Appendix

"Comply or explain" Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
	B7 Anti-corruption	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Relating to bribery, extortion, fraud and money laundering:	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Practice of Integrity
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Practice of Integrity
		B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Practice of Integrity
		B7.3 Description of anti-corruption training provided to directors and staff.	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Practice of Integrity
	B8 Community Investment	General Disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	CARING FOR EMPLOYEES AND SOCIETY – Building a Beautiful Homeland
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	CARING FOR EMPLOYEES AND SOCIETY – Building a Beautiful Homeland
		B8.2 Resources contributed (e.g. money or time) to the focus area.	CARING FOR EMPLOYEES AND SOCIETY – Building a Beautiful Homeland

INDEX TABLE OF THE *SASB STANDARD*

Topic	Accounting Metric	Unit of Measure	Code	Corresponding Reporting Location
Energy Management	– Total energy consumed – percentage grid electricity – percentage renewable	GJ %	HC-DY-130a.1	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
Waste Management	Total amount of medical waste, percentage – incinerated – recycled or treated – landfilled	t %	HC-DY-150a.1	PROMOTING GREEN OPERATION – Reducing the Environmental Impact of Business Operations
	Total amount of: (1) hazardous and (2) nonhazardous pharmaceutical waste, percentage – incinerated – recycled or treated – landfilled	t %	HC-DY-150a.2	The business of the Group does not involve the generation of wastes
Patient Privacy & Electronic Health Records	Description of policies and practices to secure customers' protected health information (PHI) records and other personally identifiable information (PII)	–	HC-DY-230a.2	STRENGTHENING MANAGEMENT AND OPERATION COMPLIANCE – Privacy Protection and Information Security
Management of Controlled Substances	Description of policies and practices to manage the number of prescriptions issued for controlled substances	–	HC-DY-260a.1	IMPROVING MEDICAL SERVICE QUALITY – Ensuring Medical Safety
Pricing & Billing Transparency	Description of policies or initiatives to ensure that patients are adequately informed about price before undergoing a procedure	–	HC-DY-270a.1	IMPROVING MEDICAL SERVICE QUALITY – Enhancing Patients' Experience
	Discussion of how pricing information for services is made publicly available	–	HC-DY-270a.2	IMPROVING MEDICAL SERVICE QUALITY – Enhancing Patients' Experience

Appendix

Topic	Accounting Metric	Unit of Measure	Code	Corresponding Reporting Location
Employee Recruitment, Development & Retention	(1) Voluntary and (2) involuntary turnover rate for: (a) physicians, (b) non-physician health care practitioners, and (c) all other employees	%	HC-DY-330a.1	CARING FOR EMPLOYEES AND SOCIETY – Protecting Employees' Rights and Interests
	Description of talent recruitment and retention efforts for health care practitioners	–	HC-DY-330a.2	CARING FOR EMPLOYEES AND SOCIETY – Facilitating Talents' Development
Climate Change Impacts on Human Health & Infrastructure	Description of policies and practices to address: (1) the physical risks due to an increased frequency and intensity of extreme weather events and (2) changes in the morbidity and mortality rates of illnesses and diseases, associated with climate change	–	HC-DY-450a.1	PROMOTING GREEN OPERATION – Responding to Climate Change

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