



2023

Environmental, Social and  
Governance Report

**ADICON® 艾迪康®**

**ADICON HOLDINGS LIMITED**  
**艾迪康控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 9860)



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# About This Report

## ○ Introduction

This report is the first Environmental, Social, and Governance (ESG) Report ("this report") published by Adicon Holdings Limited (the "Company") to provide stakeholders with a factual disclosure of the ESG governance structure, management systems, practices and achievements of the Company and its subsidiaries ("Adicon", the "Group", "we", "us" or "our").

## ○ Reporting Period

This report covers the period from January 1, 2023 to December 31, 2023 (the "reporting period"), with some content retrospective-ly referencing prior years. In order to provide stakeholders a comprehensive understanding of the overall ESG matters of the Group, this report covers the operations of the Company and its subsidiaries, with a reporting scope consistent with the 2023 Annual Report of Adicon.

## ○ Reporting Guidelines

This report was compiled in accordance with Appendix C2 (formerly Appendix 27) Environmental, Social and Governance Reporting Guide (ESG Reporting Guide) to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules").

Adhering to reporting principles such as materiality, quantitative, and consistency, this report was prepared following the procedures of identifying and prioritizing stakeholders and material ESG-related issues, determining the scope of the ESG report, collecting relevant documents and data, preparing the report based on the information, and reviewing the contents of the report.

## Materiality

This report focuses on the disclosure of ESG issues identified by the Company's Board of Directors as having significant impacts on investors and other stakeholders. For details on the identification process and outcomes of Adicon's ESG material issues for 2023, please refer to the "Material ESG Issues" sections in Chapter One.

## Quantitative

This report discloses Adicon's quantitative ESG data, along with the standards and methodologies used for data collection, statistics, and calculations. Additionally, textual explanations are provided for the data. For Adicon's 2023 quantitative ESG data, please refer to Appendix 2 "ESG Performance Indicators of Adicon in 2023" and the corresponding sections in each chapter.

## Consistency

Unless otherwise stated, the Company adheres to a consistent statistical method for data disclosure in each reporting period.



## ◦ Sources and Credibility

The information and data contained herein are from the Company's statistical reports and official documents, and have been approved by corresponding departments. The Company's Board of Directors undertakes that this report does not contain any false or misleading information, and is responsible for the authenticity, accuracy, and completeness of the content.

## ◦ Languages and Formats

This report is available in both Chinese and English and can be accessed in electronic form. For more information regarding the background, business development, and sustainability philosophy of Adicon, please visit our [investor relations website](#).

## ◦ Confirmation and Approval

This report was confirmed by the management team and was approved by the Board of Directors.

## ◦ Feedback

We attach great importance to the opinions of our stakeholders and welcome readers to contact us through the following Email address. Your opinions will help us improve this report as well as our ESG performance.

Email: [ir@adicon.com.cn](mailto:ir@adicon.com.cn)



## Letter from Chairwoman

In 2023, we celebrated our twentieth anniversary and embarked on a new journey following our successful public offering. Throughout this year, we maintained our determination and forward-thinking approach, leading the way in medical testing innovations. While achieving steady growth, we remain committed to sustainable development, making significant progress in environmental, social, and governance aspects, which enables us to deliver differentiated results to our stakeholders.

**Robust governance is fundamental for our long-term growth.** To attain high-quality sustainable development, we've instituted a three-tier ESG governance framework, with our Board of Directors at the helm, ensuring efficient, effective, and actionable ESG governance standards that aligns seamlessly with our business operations. In addition, drawing from our current progress, regulatory frameworks, stakeholder expectations, and industry dynamics, we've identified key ESG issues across the board and formed a detailed materiality matrix to focus our future ESG initiatives and efforts. We've also set up a six-tier risk management system that spans multiple departments, strengthening our group-wide risk identification, assessment, and mitigation.

**Since our inception, we have always considered quality as our lifeblood.** In pursuit of scientific rigor, precision, efficiency, and customer satisfaction, we've developed a two-tier quality assurance framework applied at both our headquarters and laboratories. This approach has significantly improved the quality of our services throughout the entire lifecycle, from supply chain management and sample collection to logistics, testing, and reporting, positioning us as the leader in high-quality development within the field of clinical laboratory services. Since 2004, many of our subsidiaries have obtained quality certifications, including ISO 15189, College of American Pathologists (CAP) Laboratory Accreditation, and Accreditation of Measurement and Laboratories Testing in China (CMA). Driven by innovation, we've built a high-level research and development team, continually enhancing our expertise and influence in areas like clinical diagnostics, pharmaceutical testing, and health examination. In 2023, capitalizing on our advanced technologies in mass spectrometry, nucleic acid mass spectrometry, and optical genome mapping, we made significant progress in project development, expansion of our testing services, and improvement of testing efficiency.

**Adicon upholds a customer-first service philosophy, aiming not only to meet but exceed customer expectations.** Our commitment to honesty and transparency in our interactions with customers helps us build long-term and stable relationships. By leveraging artificial intelligence and big data, we are advancing our digital transformation to explore new avenues in smart medical testing, catering to customer demands for diversified, flexible, and high-quality services. Adicon is also dedicated to enhancing information security and privacy protection. We have established a comprehensive information security management framework, and we are making sustained efforts to obtain group-wide certifications, ensuring the stability of our information systems and the thorough protection and security of personal data.

**At Adicon, we view our people as our most valuable asset.** We adhere to compliant employment practices to safeguard the fundamental rights and interests of each employee, aiming to create an equal, inclusive, and diverse work environment. Additionally, we offer personalized training, effective incentives, and transparent promotion opportunities to foster mutual growth with our employees. Ensuring employee safety and health is also a priority for us. We offer a safe and secure work environment as well as a variety of welfare and care measures to enhance our people's work experience and satisfaction.

**We are deeply aware that social responsibility is both a mission and a responsibility for us as we continue to develop.** Utilizing our professional expertise and resource integration expertise, we actively engage in collaborative projects with medical institutions of varying sizes and types to enhance the breadth and quality of their testing capabilities. Together with hospitals, we have established regional clinical testing centers aimed at improving operational and technical standards within the medical community. Additionally, we contribute to various public welfare initiatives. In public health, our efforts extend beyond donations to providing advanced technical support for disease screening, aiming to improve the overall well-being of society. In education, we've collaborated with universities to design courses that foster students' interest in medicine and enhance their professional skills, seeking to cultivate more exceptional talents for the medical technology and healthcare industries. In labor support, we provide strong backing for our employees through employer funded supplemental insurance and employer matched employee healthcare assistance schemes.

**Green and low-carbon transformation is also a key focus of Adicon's sustainable development.** To achieve this, we've established a comprehensive environmental management system and a regular environmental compliance mechanism, which have collectively enhanced our environmental management capabilities. We also focus on energy conservation and emissions reduction in laboratories and office spaces. By continuously improving the efficiency of energy and resource use, we aim to foster environmental awareness and a culture of sustainability within the Group, aspiring to be an enterprise that is both environmentally friendly and resource-efficient.

Looking to the future, Adicon will continue to embrace the principles of sustainable development, with a steadfast focus on quality and a commitment to our founding values, particularly the belief that “every sample represents a life.” We will actively explore new avenues for ESG development, striving to create value for all stakeholders through high-quality, sustainable growth.

*Chairwoman*

Ms. Yang Ling

April 26, 2024



# Inside Adicon

## About Us

Founded on January 16, 2004, Adicon Clinical Laboratories Co., Ltd. is a nationwide network of 36 independent clinical laboratories (ICLs) in China. We follow the advanced management practices of European and American ICLs and international high-quality standards and actively collaborate with global counterparts in the field of medical testing. Currently, we operate three major service platforms: R&D centers, central laboratory for clinical drug trials, and a clinical testing services platform. The clinical testing services platform includes clinical laboratories, pathology laboratories, reproductive genetics laboratories, genetics laboratories, and mass spectrometry laboratories. With over 200 patents, we offer more than 4,000 testing products for approximately 19,000 customers in China.

Number of Patents

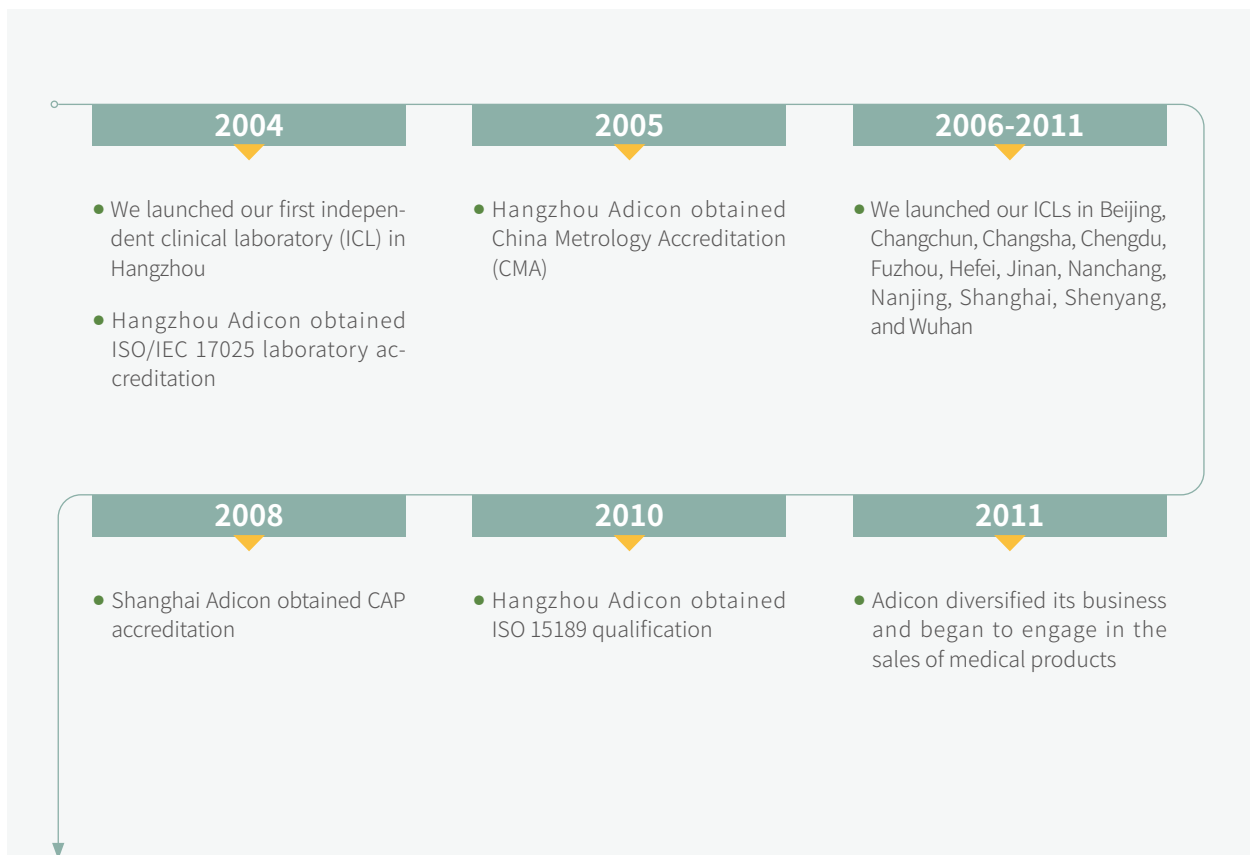
**200+**

Number of Testing Products Provided

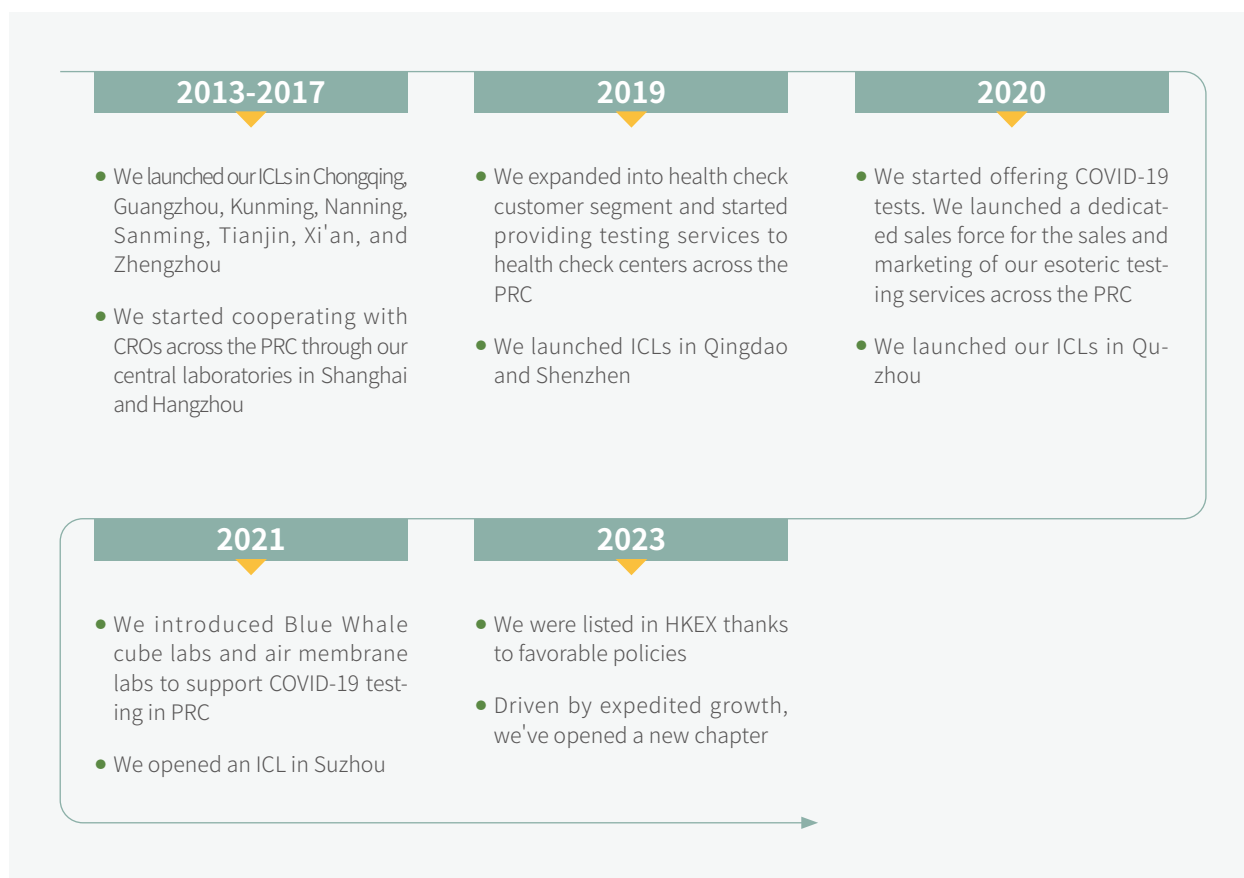
**4,000+**

Number of Customers served

around **19,000+**







## Awards and Honors

- In February 2023, we were awarded **AAA** enterprise credit rating, **AAA** enterprise credit standing rating, and **AAA** integrity supplier
- In September 2023, we were on the "**Outstanding Companies List 2023**" by GuruClub
- In September 2023, we were included in the **Hong Kong Stock Connect**
- In December 2023, we were awarded the "**Most Popular Listed Company of 2023**" by Royal-Flush
- During the reporting period, **6** subsidiaries were recognized as **national high-tech enterprises**, and a total of **12** subsidiaries have been granted the title
- In February 2024, we were included in the **MSCI China Index**<sup>1</sup>

<sup>1</sup> MSCI China Index, compiled by Morgan Stanley Capital International, tracks the performance of China's concept stocks.

# 01

## Sustainable Operations



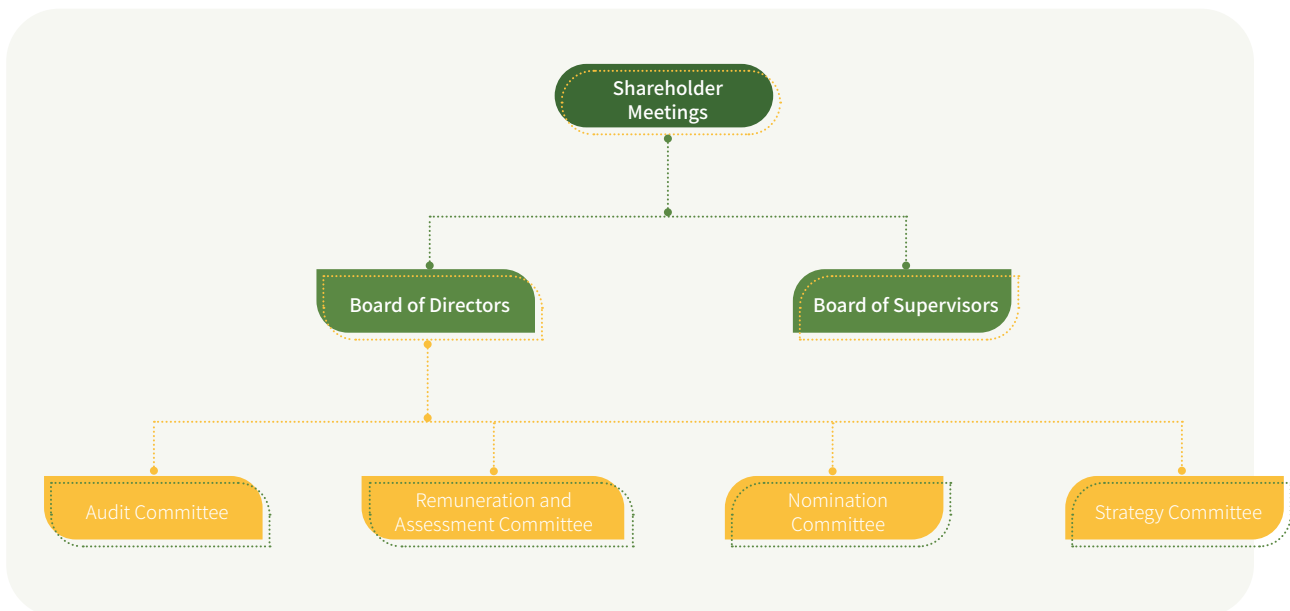
We believe that sound corporate governance is essential for sustainable development of the company. We are committed to compliant and sustainable business operations by adhering to high standards and norms, proactively managing risks, and continuously enhancing our ESG governance, combining forces of all stakeholders to shape a better future.





## Corporate Governance

Adicon strictly adheres to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and the Listing Rules, along with other laws and regulations. Internally, we have developed essential rules and policies, including the "Code of Corporate Governance" and the "Articles of Association", and established the governance structure that is efficiently coordinated and operated by authority, decision-making and supervisory bodies, so as to enhance the effectiveness of corporate governance on the basis of ensuring the legal compliance of operations.



Adicon's Governance Structure

As of the end of the reporting period, our Board consists of 8 directors, comprising 1 executive director, 4 non-executive directors, and 3 independent non-executive directors. We consider a number of aspects when selecting candidates, including but not limited to gender, age, industry experience, and educational background to promote a diversified Board composition. Currently, our Board includes 3 female

members, who serve as the chairpersons of the Board, the Nomination Committee, and the Strategy Committee, respectively. Additionally, our directors have diverse backgrounds in biopharmaceuticals, healthcare, business administration, and risk management, contributing a wealth of industry experience and business acumen to Adicon.

Board of Directors consists of

**8** directors

**3** female directors

**4** non-executive directors

**3** independent non-executive directors



## ESG Governance

Adicon is committed to sustainable development, seamlessly integrating this concept into daily management and operations. We've established a three-tier ESG governance structure. To make clear our ESG focus and enhance ESG performance, we conduct materiality assessments aligned with our management and development status. As part of corporate responsibilities, we regularly engage with stakeholders to address their concerns and demands, joining forces to achieve sustainable development.

### Statement by the Board of Directors

At Adicon, the Board of Directors is the highest decision-making body and is ultimately responsible for ESG matters. To fulfill this role, the Board has established a Strategy Committee, which is tasked with formulating and reviewing ESG systems, policies, objectives, and strategies. The Strategy Committee also monitors and follows up on our ESG management practices and performance and reports them to the Board. The Board conducts regular reviews of ESG performance to ensure our objectives can be achieved and policies are enforced as expected.

In terms of ESG policies and strategies, the Board closely monitors industry trends and regulatory changes and actively engages in stakeholder communications, so we can promptly adjust our ESG

strategy based on the status of the Group's development and results of stakeholder communications, ensuring that it aligns with development needs and stakeholder expectations.

In terms of risk management, the Board is responsible for identifying and evaluating the Group's risks related to ESG governance, while the Strategy Committee regularly assesses the environmental and social impacts of our business activities, as well as the impact of ESG-related matters on the Group's business operations. Based on the priority of each ESG issue, the Strategy Committee identifies related risks and opportunities which needs to be reviewed by the Board, and decides on mitigation and response measures to ensure the long-term effectiveness of the ESG risk management system.

### ESG Governance Structure

Adicon has set up an ESG governance structure, overseen by the Board of Directors, across three key levels: governance, management, and execution. The goal is to achieve comprehensive and efficient ESG governance.

As the decision-making body for Adicon's ESG governance, the Board of Directors reviews, evaluates, and approves

ESG-related policies, formulates ESG objectives, and regularly monitors progress. The Strategy Committee is responsible for formulating ESG-related policies, conveying them to frontline departments, supervising their implementation, and finally reporting the progress to the Board. Frontline departments of subsidiaries are required to adhere to related ESG policies and break down their ESG tasks to facilitate goal achievement.

### Governance Level

- The highest decision-making body for ESG issues at Adicon
- Approves ESG strategies and objectives, and monitors and reviews progress.
- Approves ESG-related systems and policies
- Deliberates on ESG-related risks and opportunities, including response to climate change
- Approves annual ESG reports

Board of Directors

### Management Level

- Formulates ESG strategies and objectives, and monitors progress
- Develops ESG-related systems and policies
- Identifies ESG-related risks and opportunities
- Reviews annual ESG reports
- Reports to the Board regularly

Strategy Committee

### Execution Level

- Breaks down ESG strategies and objectives, and formulates corresponding action plans
- Participates in the formulation of ESG-related systems and policies, and assists in related management and implementation
- Prepares annual ESG reports and supports the Strategy Committee
- Reports to the Strategy Committee regularly

Environment, Health and Safety (EHS) Department



Human Resources (HR) Department



Supply Chain



Laboratories



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## Stakeholder Engagement

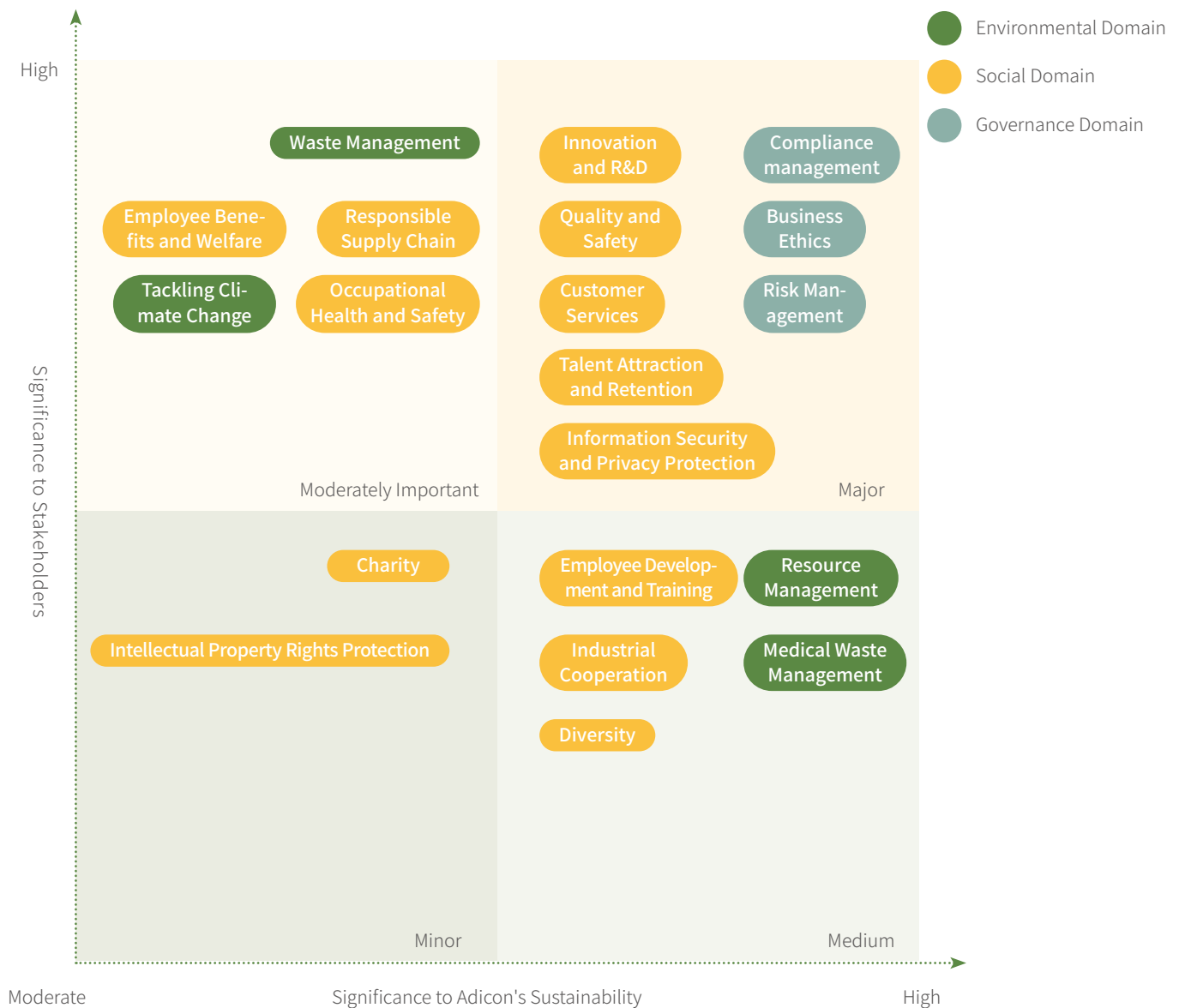
Adicon attaches great importance to the thoughts and opinions of our stakeholders. We've set up diverse communication channels to promptly collect and address stakeholders' demands. We welcome supervision from all parties, which will contribute to our sustainable development. In the reporting period, our major stakeholders and their key concerns are as summarized in the table below.

Stakeholders	Expectations and Demands	Channels
Shareholders/investors 	Compliant Operations Business Ethics Risk Management	Shareholder Meetings Information Disclosure Roadshows
Government and Regulatory Authorities 	Compliant Operations Tax Payment According to Law Business Ethics Quality and Safety Improved Accessibility to Medical Treatment	Supervision and Inspection Information Disclosure Meetings
Customers 	Quality and Safety Customer Services Information Security and Privacy Protection Responsible Marketing	Customer Satisfaction Surveys Customer Service Hotline Official WeChat Account
Employees 	Compensation and Benefits Training and Development Attraction and Retention Occupational Health and Safety Diversity and Equal Opportunities	Performance Incentives and Assessment Multi-dimensional Training Regular Meetings Service Hotline and Emails Employee Activities
Suppliers 	Business Ethics Supplier Management Cooperation	Research and Visits Supplier Meetings Supplier Assessment Supplier Cooperation
Communities 	Philanthropy Support for Local Development Environment Management Climate Change	Company Website Official WeChat Account Service Hotline and Emails Charity Work Volunteering

## Material ESG Issues

To further define our focus and establish a high-quality ESG governance pattern, we've prioritized material ESG issues we identified. Considering our current development status, regulatory policies, stakeholder expectations, industry dynamics, and key areas of interest, we curated a library of Adicon's

ESG issues. We then identified material issues for the current year based on their significance to both Adicon's sustainable development and stakeholders, as shown in the following matrix.





## Compliant Operations

Compliance has always been a cornerstone of Adicon's business operations. We rigorously adhere to the Civil Code of the People's Republic of China, the Company Law of the People's Republic of China, the Law of the People's Republic of China on Enterprise Income Tax, and other relevant regulations. Additionally, we continuously enhance our internal control, risk management, and business ethics management systems, striving to imbue legal and ethical conduct to every facet of our operational activities.

During the reporting period, we conducted 17 compliance training sessions, both online and offline, for the relevant departments to enhance employees' awareness and practices. These sessions covered various topics such as business ethics, labor management, and financial processes, aiming to improve their compliance-related capabilities.

### Risk Management

Adicon firmly believes that a robust risk control mechanism is essential for ensuring compliant operations. We strictly follow the "Basic Standards for Internal Control of Enterprises" and "Corporate Governance Code" and pay great attention to existing and potential risks across our operations. Our ongoing efforts to enhance internal and external risk response capabilities ensure our sound development.

Guided by the COSO Enterprise Risk Management Framework, we have developed various internal policies to standardize business operations across the Group, subsidiaries, and departments, such as "Adicon Internal Control Manual",

"Approval authority management system" etc. These documents cover essential aspects of corporate internal control, such as objectives, key control points, and control measures. Additionally, we've established a comprehensive six-tier risk management mechanism consisting of the Audit Committee, Compliance Officer, Internal Audit Department, Legal Department, EHS Department & Administrative and Commercial Department, and each laboratory functional department. This setup enables effective risk identification, assessment, and response, creating multiple lines of defense for risk management within the Group.

#### Audit Committee

Supports the Board in establishing standard and transparent processes for evaluating financial reporting and internal control practices, while also maintaining an appropriate relationship with the Company's auditors.

Oversees day-to-day risk management and compliance within the Group and arranges quarterly or ad-hoc reporting to the Board and top management regarding environmental and other compliance matters.

#### Compliance Officer

#### Internal Audit Department

Conducts internal audits and internal controls following the COSO framework, oversees compliance matters within the Group, identifies compliance risks (including environmental factors), and provides regular or ad-hoc reports to the Compliance Officer.

Identifies legal risks for the Company, including managing data compliance, conducting background checks on third-party intermediary clients, and monitoring ongoing cooperation, offers comprehensive support and legal compliance advice to the company, and reports any relevant compliance risks to the Compliance Officer

#### Legal Department

#### EHS Department & Administrative and Commercial Department

Responsible for all environmental, health, and safety matters of the Group and reporting to the Compliance Officer

Responsible for the implementation and execution of various risk identification and management tasks within the group

#### Each Laboratory and Functional Department



Besides establishing a robust risk control system, Adicon is dedicated to corporate risk identification and management to enhance our risk governance. In the reporting period, we developed a risk control matrix (RCM) for the year tailored to our business characteristics, and we updated it from time to time to align with changes in business and policies, ensuring timely and effective risk identification and management.

## Business Ethics

### Business Ethics Management

Adicon promotes a fair, just, and honest corporate culture, staunchly opposing bribery, extortion, fraud, money laundering, and other unethical conduct. We adhere to all applicable laws and regulations, such as the Criminal Law of the People's Republic of China, the Law of the People's Republic of China Against Unfair Competition, and the Anti-Money Laundering Law of the People's Republic of China. Internally, we've developed several rules and policies on anti-fraud anti-corruption, including "Anti-fraud Management System", "Anti-corruption Policies and Procedures", "Employee Code of Professional

Conduct and Reward and Punishment System" etc. These documents clearly define how we prevent, identify, investigate, and penalize violations of business ethics.

At Adicon, the Chief Compliance Officer and the Supervisory Committee are responsible for continually overseeing and enhancing the Group's culture and business ethics. They rigorously conduct anti-corruption investigations and apply disciplinary measures.

#### Chief Compliance Officer

- Oversees the management and implementation of internal business ethics policies under the supervision of the Board and the CEO, and regularly updates anti-corruption procedures to align with current management status and policy changes.
- Reports regularly to the Board, and coordinates and evaluates the efforts of internal business ethics monitoring.

#### Supervisory Committee

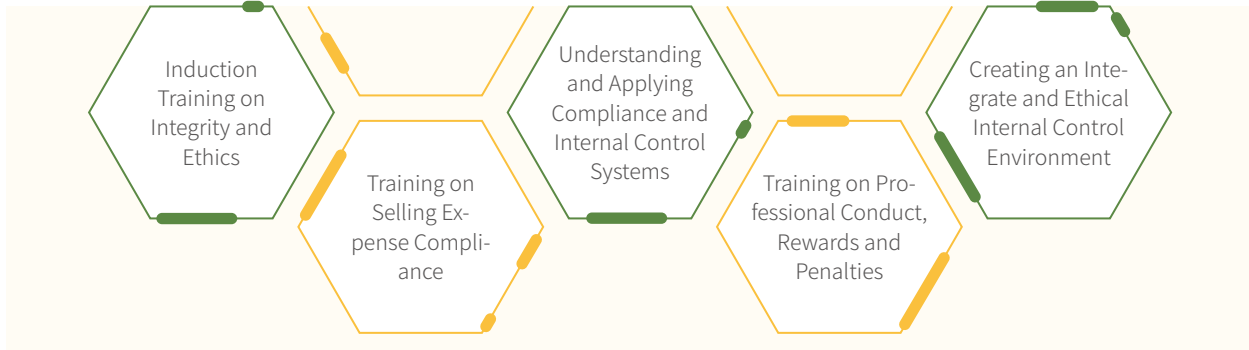
- Builds culture and discipline, and takes charge of supervision, anti-corruption investigations, and disciplinary actions

### Business Ethics Audits

Adicon conducts regular anti-bribery audits across the Group and all subsidiaries. These audits comprehensively identify and verify irregularities in business activities, focusing on areas such as business hospitality, external conferencing fees, and intermediary fees. During the reporting period, we conducted a total of 4 anti-bribery audits.

### Building Integrity Culture

The Internal Audit Department and the Human Resources Department play an important role in encouraging employees to sign the annual Compliance Pledge and organizing anti-corruption and awareness promotion sessions. During the reporting period, the Compliance Pledge signing rate reached 100%, and a total of 10 online and offline business ethics training sessions were conducted, including 3 sessions specifically for directors, covering 100% of employees and directors.



Parts of Adicon's Anti-bribery Training Topics

### Case Business Ethics Training for Directors




During the reporting period, Adicon held 3 business ethics training sessions for directors. Each session lasted approximately 30 minutes and covered various topics, including anti-bribery, anti-fraud, data compliance, flight inspections, and EHS matters. The Compliance Officer reports to the Board on the Group's compliance management quarterly, while also communicating with directors to promote the values of integrity and compliant operation.

To create a high-quality, responsible, and sustainable value chain, we place significant emphasis on the business ethics practices of our partners, including suppliers. We mandate that all relevant parties sign the "Anti-corruption and Anti-bribery Undertaking" attached to all contracts. Additionally, we frequently communicate integrity expectations and ethical principles to our partners, aiming to foster a fair, honest, and stable partnership.

## Supervision and Report

We welcome public supervision and are committed to promoting a culture of integrity. In alignment with internal "Anti-corruption Policy and Procedure", we have established multiple reporting channels that are accessible to our employees, customers, and the public, including telephone hotline, emails, letters, and visits. The telephone hotline and emails are automatically transferred to the supervisor responsible for fraud investigations, ensuring prompt and effective access to reporting information.

Supervision and Report Channels

-  Reporting Hotline: +86 0571-87775834
-  Reporting Email: [audit@adicon.com.cn](mailto:audit@adicon.com.cn)
-  Postal address: 2F, Building 6, AJON Science and Technology Park, No. 208, Zhenzhong Road, West Lake District, Hangzhou, the PRC (Internal Audit Department)

During the reporting period, we received 7 reports, all of which have been thoroughly investigated and resolved. Additionally, the reports did not result in any lawsuits or citations.

In addition, we have defined a clear whistleblower protection mechanism in "Anti-fraud Management Rules". We take confidentiality measures to ensure that whistleblowers' identities and interests remain protected. Besides, we strictly prohibit any form of retaliation, including hostile or negative actions against employees who participate in investigations. Violators who disclose whistleblower information or retaliate against whistleblowers will face strict consequences in accordance with the "Employee Code of Professional Conduct and Reward and Punishment System". If necessary, we will notify legal authorities to hold them accountable.

# 02

## Quality Assurance



At Adicon, we see quality as our lifblood. Our comprehensive quality control system lies at the heart of our competitive edge, and we are dedicated to enhancing management standards across all service areas, including testing, logistics, and storage. Innovation and R&D are the bedrock of our growth, enabling us to create diverse testing solutions tailored to our clients' needs. Moreover, we are devoted to elevating supply chain quality and transparency, actively collaborating with partners to forge a sustainable supply network.



## Quality Management

Adicon believes that every sample represents a life, and thus, we handle each test with the utmost care. Our commitment extends to scientific rigor, precision, efficiency, and customer satisfaction. We diligently develop an effective quality management system, along with standard logistics and storage management procedures, striving for excellence in laboratory medical services.

### Quality System

#### Standard Quality Management

Adicon rigorously follows the Product Quality Law of the People's Republic of China as well as national regulations and standards, including the Quality Management System — Requirements (GB/T 19001—2016). We have established comprehensive internal policies such as the "Management Handbook", "Pre-testing Process Management Procedures", and "Testing Process Management Procedures" to ensure consistent quality standards across all our business operations. Each year, Adicon sets specific quality control objectives and closely monitors our progress. In 2023, our inter laboratory quality assessment pass rate was above 98%.

Adicon implements a dual-level quality assurance (QA) management system to ensure that the quality standards are followed across all labs. At the headquarters level, our QA team devises the overarching quality management policies and benchmarks. Meanwhile, the laboratory level QA teams ensure these standards are strictly applied and continually refine the quality control processes.



Adicon's Quality Assurance Framework

By the end of the reporting period, Adicon had established 36 laboratories spanning 23 provinces in China, offering over 4,000 diagnostic test options to assess the health of our customers, including those for endocrine diseases, cardiovascular diseases, nutritional and metabolism conditions, and toxicology screening.

We have developed a robust internal quality control framework in accordance with internal management systems such as "Pre-Inspection Process Management Procedure", "Inspection Process Management Procedure", "Post-Inspection Process Management Procedure", "Equipment Management Procedure", "Employee Performance Incentive Management System" and "Personnel Management Procedure", encompassing pre-testing, testing, and post-testing management, as well as equipment management and employee management, to ensure quality across all stages.



### Testing Management

- Before testing: We have a standard operating procedure for sample collection, reception, transfer storage, and processing, ensuring the quality of samples for testing.
- During testing: Our testing methods and quality control standards are clearly defined to ensure data precision, accuracy, and standardized consistency, providing customers with dependable test data and reliable reports.
- After testing: The preparation and issuance of test reports are standardized to ensure clarity, objectivity, accuracy, and timeliness. Additionally, we ensure proper storage, retention, and disposal of test samples.

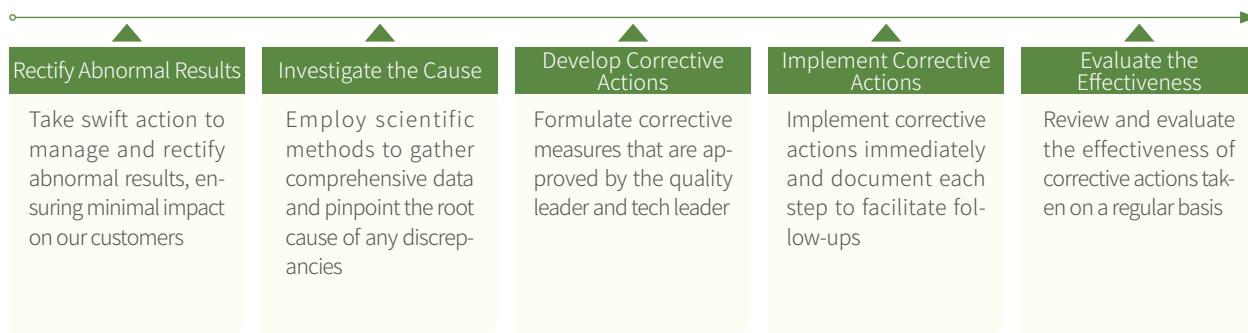
### Equipment Management

- We have a unified and standardized system for the procurement, installation, usage, calibration, maintenance, and eventual retirement of equipment. This ensures ongoing stability and accuracy of test results.

### Personnel Management

- We encourage self-directed learning among our lab technicians and provide training courses to enhance their qualifications and competencies, reduce human errors, and bolster the reliability of test results.
- We also have an incentive system to evaluate and reward positive outcomes while penalizing negative ones, aiming to enhance the precision and productivity of our workforce.

We have established the "Non-conformance and Corrective Action and Preventative Action (CAPA) Management Procedure," which guarantees prompt intervention upon detecting any test anomalies or non-conformities and eradication of the root causes, thereby achieving the ongoing enhancement of our quality system.



Adicon's Anomaly Rectification and Management Procedure

## Quality Improvement and Assurance

Adicon is dedicated to elevating the quality of testing results, and we have employed multiple strategies to achieve this goal. During the reporting period, we scrutinized our internal quality control data from the prior year to devise specific improvement strategies and expand quality control coverage. Furthermore, we adopted a new clinical laboratory information system to digitize our internal quality control procedures. This system helps us harmonize quality control protocols and parameters across all our clinical labs, ensuring consistent operational standards nationwide.

We have established a rigorous quality review system, and we conduct thorough on-site inspections at all subsidiaries to ensure compliance. In the reporting period, we carried out two quality inspections across all subsidiary labs (excluding those under commissioning). As of the end of 2023, more than 95% of instances of non-conformity identified have already been rectified.

Adicon has crafted a Training Management System (TMS) platform tailored to the development needs of our lab personnel. We offer a range of courses, including onboarding/ orientation, continuing education, and competency assessment, for different roles, phases, and testing disciplines. Lab staff must earn the necessary credits and successfully pass a competency assessment to receive an onboarding permit. We also conduct regular quality trainings, combining lectures and hands-on activities, to fortify our team's quality awareness. Additionally, we host sessions with external experts to keep our team at the forefront of industry knowledge, consistently upholding high-quality benchmarks.



Laboratory Onboarding Permit



Lecture by Adicon's Chief Cell Morphology Expert



Interpretation of Expert Consensus on Body Fluid Cell Morphology - National Continuing Education Training Course



Clinical Laboratory Manager Competency Enhancement Training

As of the end of the reporting period, Adicon's subsidiaries obtained the following quality certifications:

ISO 15189 Medical Laboratories - Requirements for Quality and Competence



20 Certified Subsidiaries

ISO 9001 Quality Management Systems



14 Certified Subsidiaries

College of American Pathologists Laboratory Accreditation (CAP)



1 Certified Subsidiary

China Metrology Accreditation (CMA)



1 Certified Subsidiary

Case

Adicon's Shanghai Jince Lab passed CAP's on-site re-inspection

From January 15 to 16, 2024, Adicon's Shanghai Jince Laboratory accepted the online and on-site re-inspection by the College of American Pathologists (CAP). During this rigorous evaluation, CAP experts thoroughly reviewed the lab's personnel qualifications, safety management, and quality system. Their unanimous approval confirms that Shanghai Jince's quality management system is effective and aligns with CAP's stringent standards.



On-site Laboratory Inspection

## Logistics Quality

To serve our diverse and geographically dispersed laboratories, Adicon has established a comprehensive and flexible logistics network. Based on legal requirements and national standards such as the Medical Laboratories — Requirements for Collection, Transport, Receipt, and Handling of Samples (GB/T 42060—2022), we have established internal systems including "Service Standardization Management System of Logistics Department", "Standard Operating Procedures for Sample Receiving", "Standard Operating Procedures for Sample Packaging and Transportation" and "Logistics Vehicle Management System", forming the scientific foundation for managing the entire sample transportation process.

By the end of the reporting period, Adicon had established a robust internal logistics team consisting of more than 600 transportation vehicles and more than 1,200 logistics professionals capable of handling our logistics needs. Additionally, we have developed a specialized cold chain logistics network spanning 279 outlets across 30 provinces and cities, serving more than 1,700 counties in China and achieving 98.6% of our samples delivered to our labs within a 12 hours.

Adicon is a member of the China Association of Pharmaceutical Commerce and a vice president unit of the Pharmaceutical Devices Branch of the China Federation of Logistics & Purchasing. We also proactively share our expertise in cold chain logistics and contributed to the formulation of the national standard Operational Specification for Cold Chain Logistics of Medical Laboratory Biological Samples. As of the end of the reporting period, 24 Adicon subsidiaries serve as pilot companies for this standard.

### Improved Logistics Efficiency

Adicon places a strong emphasis on sample transfer efficiency by dynamically adjusting logistics routes based on real-time conditions. Our monthly reviews and optimizations of routes ensure swift delivery to customers, enabling the timely reporting of test result. To further enhance efficiency, we collaborate with professional third-party transportation companies to include air and high-speed rail channels, thereby developing more flexible and efficient transportation solutions. Additionally, we have established green transit channels to cater to special service requirements during special times for key customers.

### Accurate Sample Entry

To ensure accurate test results, Adicon places significant importance on sample information entry. We have established assessment metrics for sample transporters, including entry time and information accuracy. During the reporting period, all sample entry metrics met the annual targets. Our multi-level information verification protocols include multiple comparison and review sessions, which ensures sample information accuracy.

By the end of the reporting period

Number of transportation vehicles

**630+**

Number of logistics professionals

**1,200+**

To expedite sample delivery and test result turnaround, Adicon is committed to logistics informatization. We have launched a comprehensive Adicon Logistics System, which includes features such as barcode printing, automated receiving of logistical data reports, status monitoring, temperature control, and outsourced logistics transportation monitoring. During the reporting period, we upgraded the Adicon Logistics System by incorporating outsourced front-end logistics capabilities and loading temperature control for 642 customers.

We also prioritize the efficiency and accuracy of information collection by conducting regular training for entry operators. During the reporting period, we held training sessions focused on familiarizing all entry operators with the indicators of new tests and reducing error rates. As a result, the sample entry team's efficiency improved, and the quality of information collection was enhanced.



## Sample Transfer Safety

We prioritize sample safety during transport by improving transportation conditions and personnel awareness. Our custom sample delivery boxes offer multiple temperature ranges and feature a built-in temperature control system, safeguarding sample quality and preventing contamination. Additionally, each box is equipped with a real-time positioning system for precise sample tracking throughout the logistics process.

### Case Sample Delivery Box Control System

- Our special sample delivery box features an integrated temperature recorder, which is connected to the Adicon Logistics Temperature Control System, so that our personnel can monitor sample temperature in real time. The box includes temperature control warnings to alert personnel about out of range temperature conditions, allowing timely adjustments.
- We offer various temperature ranges for sample transportation, including normal temperature, refrigerated, frozen, cryogenic freezing, and constant temperature.
- Our insulation boxes and temperature recorders undergo annual verification by third-party testers.
- The headquarters monitors the real-time temperature of each sample using the Adicon Logistics Temperature Control System. Strict temperature control standards are formulated and carried out across subsidiaries, with a passing rate exceeding 99%.
- Each transportation vehicle is equipped with a global positioning system to monitor routes and mileage. The Transportation Management System, integrated with insulation boxes, ensures real-time monitoring of transportation while maintaining the desired temperature.

In terms of safety management for logistics personnel, we formulate emergency transportation plans based on forecasts of extreme weather conditions and special situations. We also hold regular emergency training and drills to enhance their handling abilities. Additionally, we provide ongoing safety education to raise awareness, improve safe driving, and maintain standardized transfer operations.

### Case Logistics Emergency Plans and Drills

During the 19th Asian Games in Hangzhou in 2023, Adicon's Hangzhou Company and Shanghai Company created a dedicated transfer plan to ensure that local traffic control notices could be promptly received. In response to high-speed rail and air traffic controls, we deployed an outsourced transportation team to deliver urgent samples to our Shanghai subsidiary. Additionally, we leased 17 electric vehicles in Hangzhou to facilitate sample delivery during the Asian Games.

We educate our logistics personnel on the emergency transportation plan for extreme weather during training sessions such as "Vehicle Driving in Winter" and "Daily Inspection and Maintenance of Vehicles." We also formulate emergency plans based on extreme weather warnings such as typhoons and blizzards and holds regular drills to ensure that samples can be delivered safely and promptly.

### Sample Operation Training

- We provide targeted training for precautions during the sample transfer process, including taking photo records of logistics documents, sample packing and loading, knowledge of common logistics consumables, and temperature control of the delivery boxes during transportation.
- Our subsidiaries' logistics departments conduct weekly reviews and workshops to reinforce our logistics personnels' familiarity with proper protocols.

### Vehicle Management Training

- We conduct annual training sessions on driving safety and daily vehicle inspection and maintenance. These sessions enhance road safety awareness among logistics personnel and foster good habits for maintaining vehicles.

### General Safety Training

- We conduct annual biosafety training to enhance staff members' ability to handle accidents such as sample loss, leakage, and contamination during transportation, and to prevent potential infection incidents.
- We also provide guidance on national regulations and policies related to biosafety, disinfection, and sample transportation.

Logistics Safety Training

## Warehousing Quality

Adicon has developed the "Warehouse Management Standard Operating Procedure," "Warehouse Inventory-Taking Standard Operating Procedure," and the "Warehouse Safety Management Policy" to standardize warehouse management. Additionally, we actively promote warehousing informatization by optimizing data flow from inbound to outbound, enhancing materials management efficiency and standardization.



### Kingdee Galaxy Supply Chain System

- It streamlines data entry by automatically importing related document data, reducing manual steps
- It returns inbound inspection results, enhancing the timeliness of information transfer
- It sets automatic email reminders for materials with expiration dates less than three months



### Warehouse Management System

- By utilizing professional warehouse management software and the Personal Digital Assistant (PDA) mobile app, we enhance standardized warehouse operations, which reduces paper documents and handovers and accelerates material information synchronization.

## Warehouse Quality Control

To ensure effective material storage, we manage our warehouses dynamically, including monthly inventory checks for each subsidiary to ensure accurate alignment of material types and quantities with operational needs. We've established different areas for different material categories, scientifically controlling storage conditions and quality. Additionally, we have semi-annual warehousing management training that enhances employees' understanding and practice through lectures, practical assessments, and comprehensive evaluations.

## Case

## Adicon strictly controls material storage conditions

We categorize materials based on their properties to ensure that chemicals, consumables, printed materials, and promotional items align with respective warehouse management requirements. For daily inbound and outbound management, we designate separate storage areas to facilitate smooth transfers. Additionally, we've established freezing, refrigerated, and room temperature storage environments for different materials. Scientifically verified temperature settings, calibrated controls, and audio-visual and SMS alarms to ensure material safety.



Partitioned Storage



Categorized Management

## Warehouse Safety Management

Adicon adheres strictly to laws, regulations, and management standards, including the Regulation on the Safety Management of Hazardous Chemicals and the Standard for Pollution Control on Hazardous Waste Storage (GB/T 18597-2023). We are committed to enhancing our warehouse safety management system from both the physical environment and personnel awareness perspectives, and have developed various standard operating procedures for chemical storage management and warehouse safety management.

### Physical Safety Facilities

- Our warehouses are constructed using fireproof materials and leak-proof floors and are equipped with fireproof doors, explosion-proof switches, explosion-proof light fixtures, and explosion-proof air conditioners.
- We've installed smoke and automatic combustible gas sensors and alarms in warehouses. Hazardous chemicals are sealed in leak-proof secondary containers.
- Firefighting supplies such as fire extinguishers and sands, emergency sprinklers, and eyewash facilities are also furnished.

### Personnel Safety Awareness

- We've developed chemical leakage plans and conduct annual emergency drills for the entire staff to ensure that everyone is proficient in handling such emergencies.
- We also provide regular training on standard operations to reinforce personnel awareness of safe practices and risk prevention.





## Testing Research and Development

Adicon believes innovation is the fundamental driving force. We have established a high-level R&D team dedicated to strengthening our competitive edge. Leveraging cutting-edge testing technologies and expertise, we strive to strengthen our professionalism and influence in the clinical testing, drug clinical testing, and health check examinations.

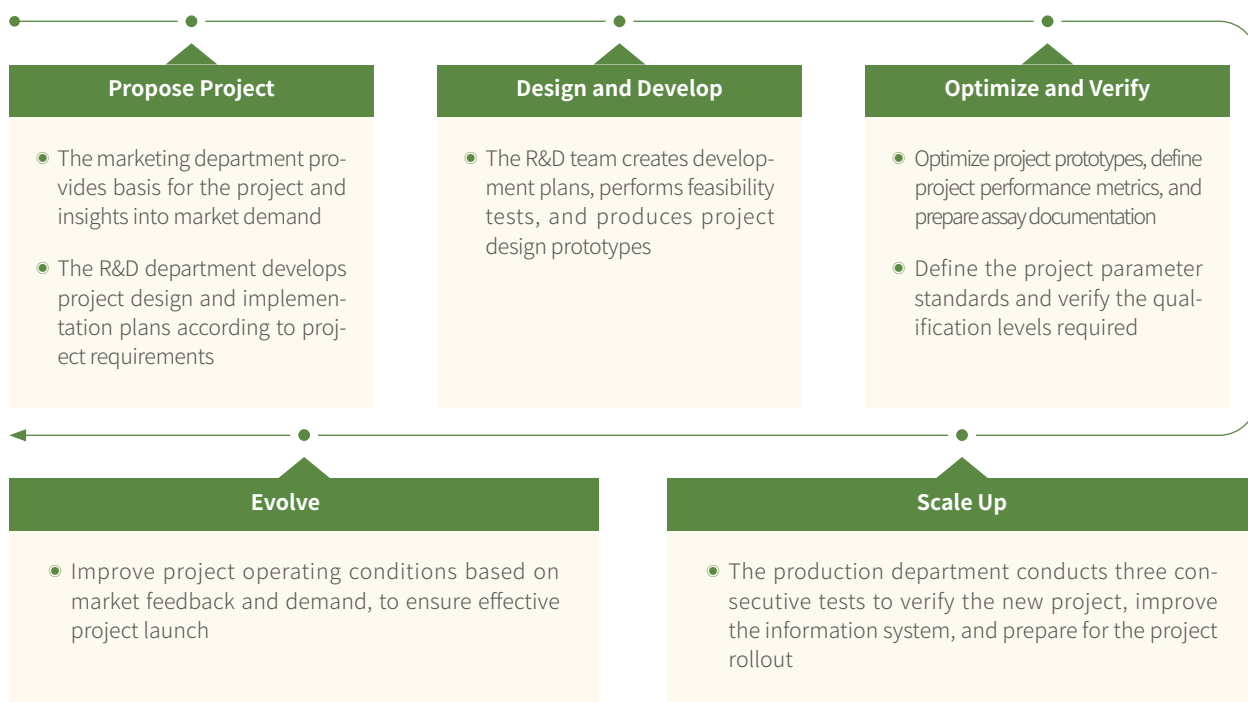
### R&D System

Adicon is dedicated to maintaining a competitive edge through continuous innovation in research. We are committed to developing more effective and efficient testing methods and technologies, which enable us to provide high-quality services that meet the evolving needs of our growing customer base. Our rigorous internal protocols for new project initiation and development control ensure the consistent enhancement of our R&D infrastructure. By the end of the reporting period, we had established 12 high-tech R&D laboratories, all of which have been recognized as national High-Tech Enterprises and obtained R&D and technology center certificates issued by local authorities.

We consistently increase our investment in R&D resources, focusing on team building and platform development. In 2023, our R&D investment accounted for 4.4% of operating

revenues. We actively recruit doctorates and masters in fields such as molecular biology, genetics, bioengineering, medical testing, and pathology.

We adhere to our internal "Research & Development Design and Development Control and Research & Development Standard Operating Procedures" to ensure orderly and phased project development, helping us optimize our testing methods, processes, and efficiency, enhance our testing portfolio, and improve testing accuracy.



Project R&D Process

**Develop New Testing Methods**

Leveraging our high-level research and development capabilities, we develop new testing projects primarily targeting diseases such as infections, solid tumors, hematologic tumors, and genetic disorders. These tests are used to assist in diagnosis, medication guidance, therapeutic effect evaluation, and recurrence monitoring

**Optimize Existing Tests**

We continuously enhance the testing efficiency, stability, and sensitivity of existing programs like flow cytometry, immunohistochemistry, and molecular diagnostics

**Expand Testing Portfolio**

As clinical testing technologies diversify and improve, we are continuously enhancing our clinical testing programs, including next-generation sequencing (NGS) for targeted lung cancer therapy, inductively coupled plasma-mass spectrometry (ICP-MS) for trace elements, liquid mass spectrometry to measure drug therapeutic concentration, and multi-functional flow cytometry for cytokine detection

## Project R&amp;D Direction

In 2023, we continued to advance new projects based on our own technology platforms, such as mass spectrometry, nucleic acid mass spectrometry, and genome-wide optical mapping platforms, aiming to provide additional decision-making information for disease diagnosis and treatment, ultimately enabling patients to receive precise and efficient treatments in less time.

**Case****Next-Generation Sequencing (NGS) Development Initiatives**

In 2023, we focused on advancing our Next-Generation Sequencing (NGS) capabilities to address customer and market needs. Our initiatives included 7 solid tumor NGS projects, 8 hematologic tumor NGS projects, and 8 pharmacogenomics NGS testing projects. These projects align with the latest National Comprehensive Cancer Network (NCCN) guidelines, expert consensus, and drug information approved by the U.S. Food and Drug Administration (FDA) and China's National Medical Product

Administration (NMPA). They also leverage authoritative databases to provide precise testing solutions. Our goal is to guide cancer medication, assess prognosis, and monitor treatment effectiveness for both patients and clients. Additionally, our pharmacogenomics panel, based on the NGS platform, offers comprehensive analysis of patients' genetic and metabolic profiles, enabling targeted and effective medication guidance.

**Case****Nucleic Acid Mass Spectrometry Development Initiatives**

In 2023, we established personalized medication testing programs for cardiovascular and cerebrovascular conditions. These programs utilize our nucleic acid mass spectrometry platform to guide the usage of drugs related to hypertension, hyperlipidemia, hyperglycemia, antiplatelet agents, and anticoagulants. To ensure the scientificity and effectiveness of our research, we adhere to the Technical Guidelines for Genetic Testing of Drug Metabolizing Enzymes and Drug Targets (Trial) and FDA and NMPA-approved drug information and utilize the Pharmacogenetics and Pharmacogenomics Knowledge Base (PharmGKB) during project design and development.

**Case****Genome-wide Optical Mapping Development Initiatives**

Adicon's genome-wide structural variation testing program incorporates innovative optical genome mapping (OGM) technology. This technology enables comprehensive detection of all types of chromosomal structural variations within the genome, primarily in the fields of reproductive genetics and hematological oncology. In 2023, our focus was on advancing OGM in reproductive genetics, aiming to explore its feasibility and clinical value for individuals with a history of adverse obstetric outcomes, and identify and characterize the structural genetic disease. By the end of the reporting period, the project had reached its final stage, with over half of the hospitals having completed testing and analysis of all samples, achieving an impressive detection rate of up to 83.3%.

Besides increasing R&D investment, Adicon actively collaborates with top companies in the industry to expand service categories and acquire high-quality resources, ultimately providing an optimal service experience for doctors and patients.

### Case Adicon enters into exclusive strategic partnership with world's leading precision tumor diagnostics company

Adicon and Guardant Health, Inc. are furthering their strategic collaboration in the field of diagnostic oncology. We have introduced liquid biopsy technologies, including Guardant360® and GuardantOMNI™ for patients with solid tumors. They assist researchers in identifying eligible patients for clinical study on patient responses to treatment, tumor progression, recurrence, and drug resistance, thus enhancing the likelihood of successful clinical drug trials.

Through this partnership, Adicon has introduced a world-class testing platform to offer more efficient and rapid tumor testing services for Chinese patients. This collaboration not only accelerates clinical research of next-generation tumor therapeutics for biopharmaceutical companies but also enhances the quality of clinical studies that will benefit more patients.

To foster innovation within the company, we have developed the "Employee Performance Incentive Management Policy" to incentivize employees who publish papers and apply for invention patents. Additionally, we provide diverse training programs for our R&D staff, aimed at broadening their horizons and inspiring innovation, including professional knowledge lectures, industry exchanges, and advanced technology sharing.

### Case R&D Innovation Training

- We conducted two national continuing education classes ("Interpretation of Expert Consensus on Body Fluid Cell Morphology" and "Comprehensive MICM Diagnosis of Lymphohematopoietic Pathology") to facilitate academic exchanges with industry peers.
- We invited vendors to introduce cutting-edge technologies in the industry, including nanopore sequencing, immune repertoire, and Bionano's OGM platform.
- We organized in-house training sessions covering various topics, such as genetics knowledge, updates on hematology guidelines, bioinformatics analysis, and NGS testing for infectious diseases.

### Case National Continuing Education Class on Comprehensive MICM Diagnosis of Lymphatic Hematopoietic Cancers

In 2023, Adicon organized the national continuing education class on the comprehensive morphology, immunology, cytogenetics and molecular biology (MICM) diagnosis of lymphatic hematopoietic cancers, aiming to strengthen academic exchanges and address the challenges related to comprehensive diagnosis in this field. Experts, scholars, clinicians, medical technologists, and practitioners specializing in lymphatic hematopoietic pathology shared their knowledge, comprehensive diagnosis methods, and case analyses in the activity. The class not only promoted the research level in the field of pathological diagnosis but also helped Adicon build a high-level physician team.



Our continuous dedication to research and innovation has garnered much recognition and support. In the reporting period, we were honored with the title of "Zhongguancun High-tech Enterprise" and received subsidies from the Science and Technology Innovation Conference and the Provincial Specialized and Sophisticated Enterprise Awards.

## Intellectual Property Rights Protection

Adicon believes that intellectual property rights are crucial for fostering innovation, building brand equity, and maintaining market order. We diligently adhere to the Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and other relevant laws and regulations. We have established a comprehensive framework to manage and protect our intellectual property rights, which includes the "Intellectual Property Management Manual," the "Trademark Management Policy," the "Adicon Patent Management Policy," and the "R&D Department Data Management Standards." Additionally, we proactively implement various safeguards, such as tracking, investigation, and personnel awareness strengthening, to prevent any potential infringements across multiple channels.



### Intellectual Property Rights Monitoring

- We've launched an intellectual property management platform that covers all our subsidiaries. Additionally, we've assigned specialists to maintain our intellectual properties, including patents, software, and trademarks. This approach enables us to track the status of all intellectual property rights, significantly enhancing the efficiency of our intellectual property management.
- We conduct regular inspections on the use of Adicon's core trademarks on social platforms such as WeChat and Douyin. Whenever we identify any trademark infringement, we promptly take action by filing complaints and implementing other necessary measures.



### Personnel Management

- We require third-party partners to sign binding agreements to prevent any infringement on our legitimate rights and interests.
- All new employees are required to sign a confidentiality agreement that includes provisions related to intellectual property rights upon onboarding.
- We provided training on software and data management certification for our legal and compliance team to enhance their understanding of intellectual property rights.
- We invited a third-party patent agency to deliver a lecture on patent drafting and medical review to improve our employees' patent drafting and application skills.

#### Measures for Intellectual Property Rights Protection

We possess extensive expertise in the medical field and strive to be a trusted authority on clinical testing. Our contributions include providing insights and tools that bolster public and personal health, foster academic discussions, and ignite innovative thinking. As of the end of the reporting period, we held 244 registered patents and 130 registered trademarks. Our invention patents span various areas, including infectious diseases, hematological diseases, personalized medicine, single-gene disorders, and solid tumors.

#### Registered patents as of the end of 2023

Invention patents

**72**

Utility model patents

**172**

#### Registered patents obtained in 2023

Invention patents

**6**

Utility model patents

**37**

#### Registered trademarks

Registered trademarks as of the end of 2023

**130**

Registered trademarks obtained in 2023

**4**

We've authored several papers that reveal our research advancements and findings in clinical testing, pathological diagnosis, genetic analysis, and test optimization. Our firsthand clinical expertise and proprietary technical capabilities enable us to effectively utilize our intellectual property to address a broad range of clinical needs and solidify our position as an industry leader.



## Responsible Purchasing

At Adicon, we believe that sustainable supply chain management helps us establish stable partnerships, mitigate supply risks, and ensure operational continuity. We have established a full-cycle supplier management mechanism, aiming to foster effective communication and cooperation with suppliers to enhance supply chain quality and transparency. By integrating sustainability concepts into our strategy, we strive to build a responsible, resilient, efficient, and stable industrial ecosystem with our suppliers.

### Supplier Management

We manage suppliers based on the "Supplier Management Standard Operating Procedures," which clarify our requirements on supplier approval, tiered management, evaluation, and elimination. Additionally, we pay particular attention to suppliers' ESG performance and progress during the approval and evaluation process by considering ESG information they have disclosed and our on-site inspections.

#### Supplier Approval

- We perform thorough background checks on potential suppliers, taking into account their qualifications, supply quality, and other relevant factors during the supplier selection process.
- Once selected, our suppliers must undergo qualification reviews as part of the approval process before being included in the supplier pool.

#### Supplier Categorization

- Suppliers are categorized based on the type of supply (either material or service) and their impacts on test results

#### Annual Evaluation

- The Purchasing Department organizes the annual evaluation of suppliers, while the Quality Department, Laboratory Department, Warehousing Department, and other relevant teams collaborate to conduct this evaluation.
- The evaluation encompasses quality performance, price performance, delivery performance, and service performance. Results are categorized into four levels: excellent, good, passing, and to be evaluated.
- We conduct on-site inspections for key suppliers with significant purchase volumes, frequent quality issues, and low evaluation results from the previous year. All target suppliers undergo inspections at least once every five years.

#### Rectification and Elimination

- We conduct quarterly statistical analyses of supplier non-conformity information. If we identify a negative trend, we promptly investigate the underlying causes and develop corrective measures.
- We closely supervise suppliers to rectify non-conformities identified during on-site inspections.
- For suppliers consistently failing to meet standards, we eliminate them from our pool.



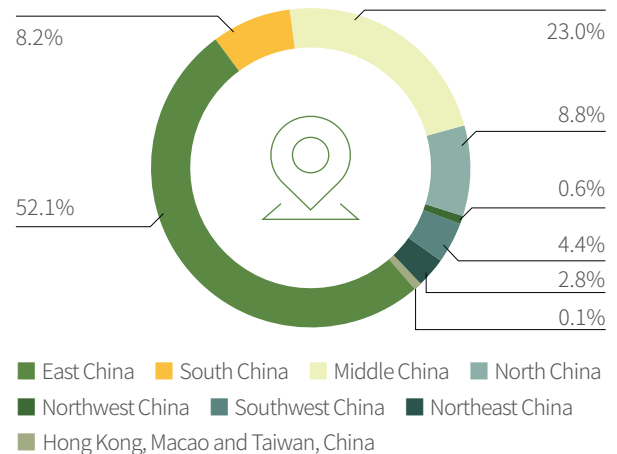
To ensure supply quality, we require suppliers to sign a quality assurance agreement and we prioritize supply quality in our annual supplier inspections. In the reporting period, we completed annual appraisals for 100% of our suppliers (those still engaged during the year). Additionally, we maintain open communication with suppliers through regular teleconferences, visits, exhibitions, and industry conferences. Our active guidance and support help suppliers enhance the supply quality and testing services, thereby extending our quality standards throughout the entire value chain.

## Case

### Adicon collaborates with a supplier to build a clinical trial base

We've collaborated with a domestic supplier to establish a clinical trial base and jointly promote high-quality clinical trial programs. This supplier provides testing reagents and related consumables for trials. During daily analysis of sample data, we discovered that the supplier's reagents had to be improved. Therefore, we engaged in in-depth discussions with the supplier and after repeated clinical tests and technical adjustments, the products now meet clinical requirements, ensuring the smooth progress of our research program.

Geographical distribution of suppliers



At the end of the reporting period, we had a total of 1,025 suppliers. Among them, the number of suppliers with the top 30 purchasing volume that have been certified to each management system standard is as follows:



ISO 9001 Quality Management Systems

**7** Suppliers

ISO 14001 Environmental Management Systems

**5** Suppliers

ISO 45001 Occupational Health and Safety Systems

**3** Suppliers

ISO 13485 Medical Devices Quality Management System

**15** Suppliers

## Sustainable Supply Chain

Adicon is dedicated to advancing the development of a sustainable supply chain. We actively incorporate the principles of sustainable procurement into our supplier management process. When selecting and auditing suppliers, we thoroughly assess their environmental, social, and governance performance based on their management policies, initiatives, and results.

We are dedicated to green procurement and pay attention to the environmental performance of our suppliers. In ensuring the consistent quality of our suppliers' deliveries, we prioritize the selection of environmentally friendly products, collaborating closely with our partners to jointly forge a sustainable green future.

At Adicon, we uphold transparent procurement. During the contract signing stage, we require our suppliers to sign the "Anti-bribery and Anti-fraud Undertaking." As of the end of the reporting period, the signing rate stood at 100%. To rein-

force integrity, we regularly communicate with our suppliers through emails and daily interactions, emphasizing compliance with our policies throughout our collaboration. We specify easily accessible reporting channels within our contracts and company premises. Suppliers can provide feedback on any improper behaviors during cooperation via reporting phone numbers, mailboxes, letters, or on-site visits to safeguard respective rights and interests.

To ensure supply chain stability, we assess supplier risks based on the results of supplier evaluations that cover supplier information integrity, product and service quality, supply continuity, and many other factors. Additionally, we actively cultivate local suppliers. For critical categories like HPV typing reagents, cytokines, and glycosylated hemoglobin reagents, we've developed multiple purchasing channels to ensure supply adequacy in the long run.

# 03

## Customer-Centric Services



At Adicon, we adhere to a customer-centric philosophy, focusing on enhancing the level of customer service, responding efficiently to customer requests, and providing an exceptional customer service experience. We maintain a responsible attitude towards our customers, follow compliant marketing principles, and strive to earn our customers' long-term trust. We also place a high emphasis on maintaining information security and protecting customer privacy. By developing digital platforms, we continuously empower our services to be more efficient and convenient.





## Service Philosophy

Adicon holds customers' needs in the highest regard and strives tirelessly to exceed their expectations. Our approach is underpinned by unwavering integrity, transparency, and effective communication in every customer interaction, fostering enduring and stable relationships.

### Customer Management Framework

Adicon has established a robust and comprehensive customer management framework in strict alignment with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other laws and regulations. We standardize the customer service process in accordance with regulations such as "Standard Operating Procedures for the Workflow of the Customer Service Department" and "Standard Operating Procedures for Complaint Handling".

At Adicon, our customer service department is entrusted with the responsibility of gathering feedback and addressing complaints and collaborating with sales, quality assurance, and laboratory departments to swiftly investigate and resolve any issues that may arise. Moreover, the implementation of Aiyijian, an integrated, full-process information-sharing platform, facilitates communication among external medical profes-

sionals, patients, and our internal sales and customer service teams, thereby reducing communication costs and bolstering operational efficiency.

Furthermore, we have instituted a system of customer service-related rewards and penalties as delineated in our "Employee Performance and Incentive Management Policy". This framework incentivizes our employees to engage positively with customers and consistently deliver services of the utmost quality. Regular training sessions and seminars focused on customer service skills to equip our staff with the necessary knowledge and communication skills to provide prompt responses and effective solutions to customer inquiries. These training initiatives cover a broad range of topics, including quality assurance protocols, typical customer inquiries, and specialized project-related knowledge training.

### Customer Satisfaction Surveys

We maintain open channels for gathering customer feedback, offering consultation hotline across various platforms including our website, marketing materials, and official social media account. Through regular customer satisfaction surveys, we assess satisfaction levels with our services and identify future needs and expectations. Using survey insights, we

continuously enhance our testing quality and service management systems, aiming to elevate customer experience and satisfaction. During the reporting period, our hotline achieved a response rate of 94.6%, with a customer satisfaction rate of 99.0%.

#### During the reporting period

our hotline achieved  
a response rate of

**94.6%**

with a customer  
satisfaction rate of

**99.0%**





Customer Satisfaction Survey Processes

## Customer Complaint Management

We are committed to promptly and effectively resolving customer complaints through standardized processes, ensuring the highest service standards and capabilities are provided. Our Customer Complaint Handling Procedures clarifies departmental responsibilities in the processes and resolution to handling customer complaints.

Upon receipt of external complaints, all Adicon employees are mandated to immediately notify the customer service department, which then submits the case to the CAPA (Corrective Action and Prevention Action) platform for unified processing. The assigned complaint handler, serving as the primary responsible person of the case, shall update the customer on the investigation process and resolution measures. Instances involving non-conformity invoke the Non-conformity Management Standard Operating Procedures for resolution. During the reporting period, we had a service related complaint rate under 0.002%, with 97.0% being resolved within 24 hours. This achievement underscores our commitment to resolving our customer concerns in a timely manner.





## Responsible Marketing

Adicon strictly adheres to principles of integrity and compliance marketing, aligning with regulations outlined in the Advertising Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China during brand promotion and sales activities. We have established internal policies and procedures such as the "Brand Promotion Demand Application Standard Operating Procedures" and "Adicon Pricing Management Policies to guide marketing activities. Additionally, we have implemented fair pricing strategies in accordance with the Adicon Pricing Management Standard Operating Procedures. These strategies clarify pricing standards and approval procedures, ensuring fair rates reflecting market demand, regional development levels, and production costs.

We uphold compliance and authenticity as fundamental tenets in marketing and promotions, abstaining from misleading information or false advertising. Instead, we provide customers with thorough and comprehensive information to our products and services, enabling them to make informed, rational, and accurate choices. Moreover, we emphasize the development of high-level sales and marketing teams. Regular compliance training sessions and skill-enhancing courses are provided to ensure effective implementation of our marketing strategies.



### Compliance Marketing

Adicon adheres strictly to reagent instructions and expert guidance and avoids exaggerated claims regarding the scope of testing



### Advertising Registration

Adicon's marketing materials undergo rigorous internal review and have successfully completed the advertising registration process



### Sound Recommendations

Adicon strictly fulfills the obligation to provide advice solely for the reference of medical professionals, ensuring it does not improperly influence users' judgment or its proper use



### Marketing Training

Quarterly compliance-focused marketing training sessions are conducted to continually enhance the awareness of compliance among the sales and marketing teams

#### Compliance Marketing Initiatives

Adicon conducts internal compliance reviews of all its marketing materials. During the reporting period, 165 materials were reviewed. Additionally, we utilize third-party monitoring software and other tools to ensure the accuracy of external marketing materials and online content. In the event of inaccuracies or infringements on Adicon's legal rights, a dedicated team intervenes promptly. Actions may include sending complaint letters or legal notices to demand immediate cessation of infringements and the removal of false reports from online platforms.



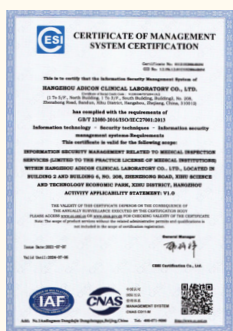
# Information Security and Privacy Protection

Adicon continues to advance its information security and privacy protection efforts, ensuring the security of personal data and maintaining stable operation of company information systems. Leveraging data intelligence methods such as artificial intelligence and big data, Adicon promotes its business digitalization to explore innovative pathways and services in smart medical testing and to meet customer expectations for diverse, flexible, and high-level services.

## Information Security

Adicon strictly abide by laws and regulations such as the Personal Information Protection Law of the People's Republic of China, Cybersecurity Law of the People's Republic of China, Data Security Law of the People's Republic of China, and Measures for Administration of Cybersecurity of Medical and Health Institutions. We have established a comprehensive policy framework based mainly on Information Security Management Policies, Adicon Data Classification and Grading System, and Third-Party Security Management System.

By the end of the reporting period, two subsidiaries within the Group have obtained ISO 27001 Information Security Management System certification. The integrated medical testing information management platform employed by the headquarters and 25 subsidiaries was certified as level 3 by the China Cybersecurity Classified Protection System (CCPS). One subsidiary was certified as level 2. Additionally, the headquarters' Laboratory Information System (LIS) and Remote Pathology Diagnosis System was certified as level 3.



ISO 27001 Certification



CCPS Certification

We have established a comprehensive information security management structure, led by the Information Technology Committee, our top authority for company security affairs. It coordinates with management teams at different levels to enhance information security.



Adicon Information Security Governance Structure

To ensure the effectiveness of our information security efforts, Adicon has set measurable annual targets on metrics including business continuity and usability, failure frequency, and accidents related to information security and privacy breaches. In 2023, we successfully met all our annual targets. We're continuously fortifying our defenses and enhancing data security through improved systems and equipment and personnel management practices.

### Systems & Equipment



- ◆ Additional security systems are installed, such as Cloud Firewall, Cloud Security Center, and Database Audit;
- ◆ Security equipment are deployed within the local data center, such as Situation Awareness, Host Protection, Endpoint Detection and Response (EDR), and Log Audit;
- ◆ Other security systems include Uninterruptible Power Supply (UPS), CCTV, access control, and environment control system. Network segmentation, access control for bi-directional connections, and minimum access policy are enforced;
- ◆ For web services, encrypted transmission through HTTPS (Hypertext Transfer Protocol Secure) are adopted, with account name and password authentication for interface access. Third-party access to internal resources require a VPN (Virtual Private Network) or a bastion host.

### Personnel Management



- ◆ We ensure third-party compliance with information security policies and regulations during operations by signing the Data Protection Agreements and Non-Disclosure Agreement (NDA) and overseeing the signing of Information Security Notices;
- ◆ We conduct annual Cybersecurity Week to enhance information protection awareness among all employees;
- ◆ We provide comprehensive orientation sessions for new hires, where Adicon's information security management system and policies are thoroughly introduced.

In addition to protection enhancement, Adicon places significant emphasis on information security risk control. We aim to mitigate management loopholes and minimize risks through compliance risk identification and internal and external audits. During the reporting period, we engaged external experts to conduct due diligence on Adicon's cybersecurity and data handling practices. This involved questionnaires, interviews, and document reviews to produce a risk assessment report. Based on the findings, we developed corrective action plans and established a data compliance team to oversee implementation. This initiative has strengthened our data compliance system, with 100% resolution of identified high-risk information security issues by the end of the reporting period.

### CyberGRX Tier 2 Cyber Security Risk Assessment Review



- ◆ Adicon also performed a CyberGRX Tier 2 Cyber Security Risk Assessment review. The risk assessment is focused on measuring the overall maturity of our enterprise security program and the existence of controls and sub controls, including assessments evaluating five control groups: strategic, operational, core, management, and privacy to determine risk over a broad set of controls. Overall, Adicon achieved a low inherent and residual risk ratings assessments across all categories including data loss, destructive attack, disruptive attach and fraud.



To bolster our ability to respond to cybersecurity incidents and data breaches, we have developed a sound and comprehensive cybersecurity incident response plan. This plan enables us to timely and effectively prevent, control, and minimize the impact of various network security incidents. During the reporting period, we organized two attack and defense drills in collaboration with law enforcement. These drills involve simulated phishing attacks to test employee awareness of information security. Targeted training sessions were provided to address any gaps in awareness. Additionally, these drills helped us identify and address vulnerabilities in our website and systems, ensuring ongoing protection of our information and data security. Throughout the reporting period, there was no incidents of data breaches.

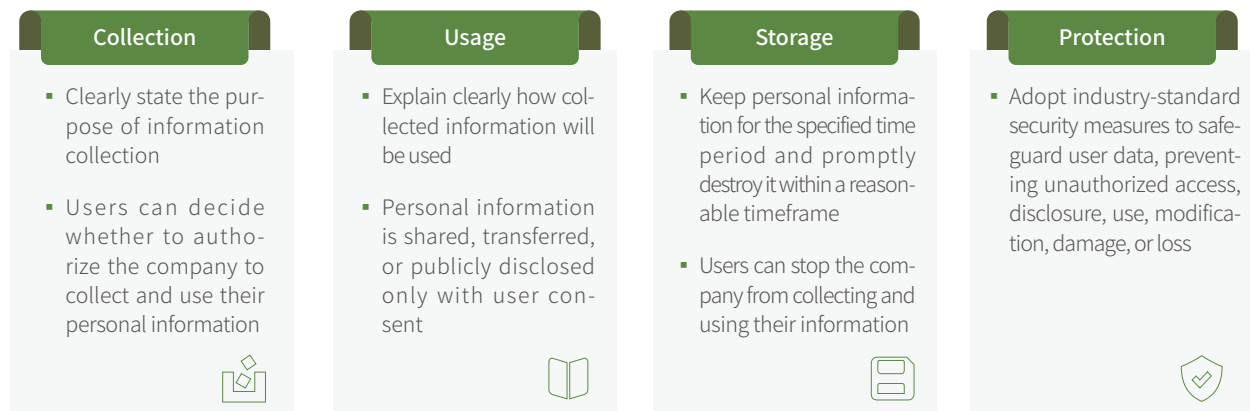




## Privacy Protection

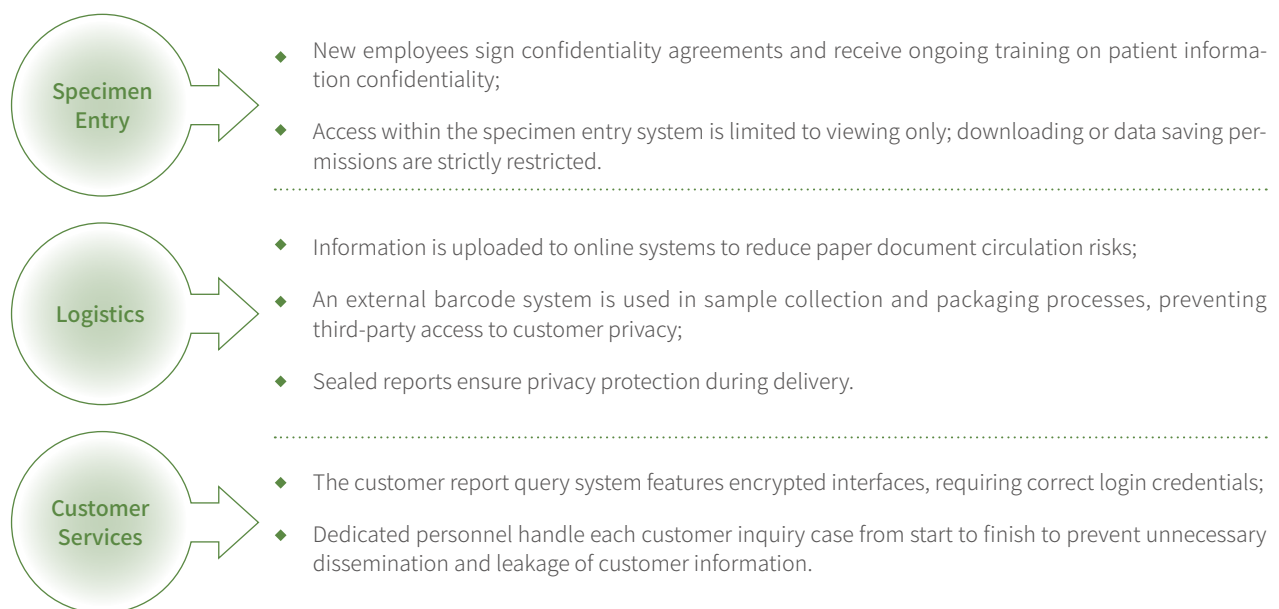
Committed to ensuring comprehensive protection of personal information, Adicon has established policies such as Personal Information Protection Policy and System Accounts and Permission Management Policy. We present privacy protection terms in our end-user applications, clearly inform users and customers of our commitment and practices regarding personal information and privacy protection.

We attach great importance to the security management of users' personal information and privacy. We fully guarantee user's rights to access, modify, or delete their personal information or withdraw consent throughout the data collection, usage, storage, and protection processes. Additionally, we offer channels for customers to raise privacy concerns or issues, including customer service hotline and dedicated email to our personal information protection team. Timely resolution is also ensured.



### Privacy Policy Terms

To safeguard customer privacy and minimize information exposure, we have implemented robust measures across our operations, mitigating the risk of privacy breaches. We focus on optimizing the data transmission methods during direct interactions with customers, such as specimen entry, logistics, and customer service, while enforcing strict access permissions to enhance privacy awareness among staff. No customer information breaches occurred during the reporting period.



### Privacy Protection Measures in Operations

## IT Infrastructure

We are dedicated to developing digital management platforms to support the digital operational needs of our laboratories. Our advanced integrated laboratory information management platform, which includes the Laboratory Information System (LIS), the Customer Relationship Management (CRM) system, the Aiyijian system, the data matching management system, and the billing system, that ensures remarkable efficiency, delivering consistent, structured, and standardized results while guaranteeing premium customer service. LIS is extensively adopted in all facets of our business, including clinical testing and reporting, customer service, ordering and billing, logistics and medical data management. The in-built ISO 15189 requirement ensures that our reports undergo reviews to meet global quality standards.

Furthermore, we are continuously exploring ways and opportunities to incorporate artificial intelligence technology into our operations. We have developed and implemented multiple digital platforms to boost efficiency and service quality across all aspects of our work. These platforms include a logistics IT system, a remote pathology diagnostic system, a testing database, and an online business management platform, highlighting our dedication to advancing digital transformation in medical testing.

### **AiLogistics: Streamlined Sample Management**

Our proprietary logistic IT System, AiLogistics, digitalizes and automates the sample receipt process through mobile digital and AI recognition technologies. By preprocessing sample information, it reduces sample request time and processing errors, enhancing operational efficiency of our laboratories.

### **Online Management Platform: Standardized Operations**

We transition our offline operations online for standardized management, replacing the labor-intensive, repetitive manual record-keeping method. By providing dynamic data maintenance, real-time access, message notifications, the system ensures efficient office management and mitigates potential risks. Office modules incorporated include intellectual property management, logistics form collection, vehicle information management, test report delivery confirmation, and customer satisfaction surveys.

### **Remote Pathology Diagnostic System: Nationwide Collaboration**

Our remote pathology diagnostic system connects 20+ laboratories, facilitating nationwide pathologist collaboration and improving the accuracy and timeliness of medical diagnostics. Continuous enhancements, such as clinical prompts, help increase the value of our pathology reports.

### **Medical Testing Database: Advanced Data Utilization**

We have established a comprehensive data center covering request orders, testing processes, and test results and crafted data models to meet present application needs, advancing the application of big data in medical diagnostic testing. This database's construction and maintenance also enable rapid comparison of testing data results, providing a more scientific basis for diagnostic result decisions.



# 04

## Our Employees



Adicon's success is the result of hard work from our dedicated employees. Our people are our most valuable assets. Our employees are hired with a strict compliance with relevant laws. We respect their individuality and differences and take good care of their health and safety, so that they can grow and thrive. We are committed to safeguarding an equal, inclusive and diverse workplace that allows our employees to fulfil their potential and realize their value.





## Employment

Adicon strictly adheres to the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and other related laws and regulations when executing labor contracts with our employees. On top of that, we have also drafted regulations, including the "Recruitment Management System", "Campus Cooperation Management Regulations" and "Adicon Consultant Management Measures", to standardize our hiring practices and provide guidelines for our employees to follow.

### Compliant Employment

To Adicon, compliant employment is vigorously monitored and enforced. We impose fixed working hours and prohibit any form of forced labor as well as strictly comply with the Provisions on Prohibition of Child Labor by rigorously validating the information of any potential job candidates throughout the entire hiring process to ensure that they meet the minimum working age requirements. Once we identify any possible violation, we will immediately conduct an investigation and implement the necessary corrective actions as soon as possible. During the reporting period, there was no instance of forced or child labor.

### Equality and Diversity

Our employment activities are carried out based on principles of diversity and equality. We provide equal opportunities for talents of different professional backgrounds, and we strongly prohibit any discrimination against race, gender, religion or age. While safeguarding the legitimate rights and interests of prospective candidates, we continue to provide our employees with a workplace that is fair, inclusive and diverse.

### Hiring Pipelines

During the reporting period, Adicon recruited talents through 11 hiring channels that include campus job fairs, internal referrals and live streaming events. While continuing to explore new ways to reach out for prospective candidates, we implemented a smart recruitment management system to enhance performance and efficiency. Using data to support the decision-making process, the system reduces the cost of communication for the human resource and other departments, as well as the management, and significantly improves the accuracy and speed of recruitment efforts.

#### Case

#### Adicon campus live stream

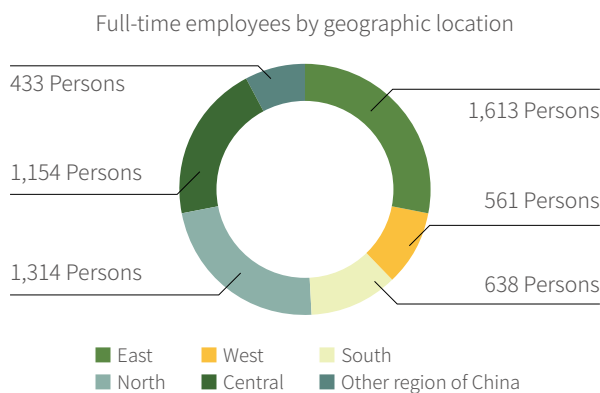
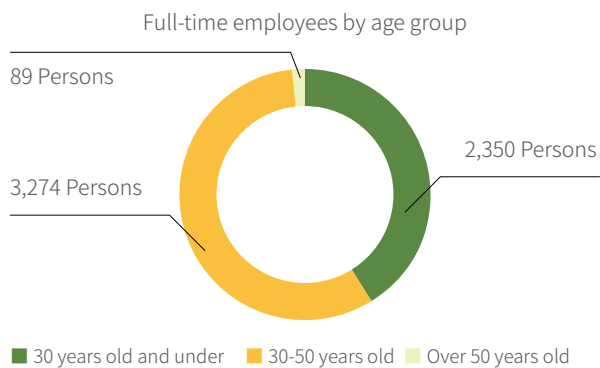
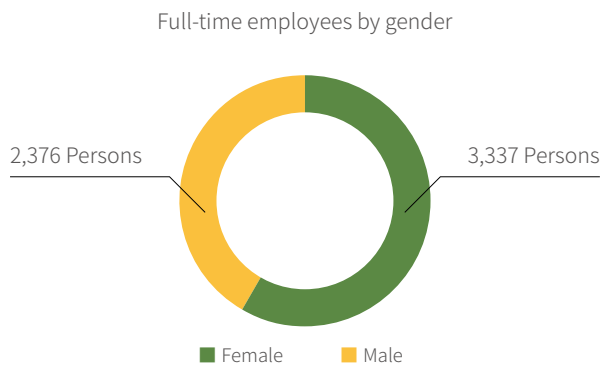
During the reporting period, Adicon organized a special campus live stream to introduce our company profile and campus recruitment events. In addition, we also highlighted certain job openings, have new employees share their experiences, and offer guidance on career planning. The one-hour session was watched by over 9,500 viewers and 582 resumes were received as a result.

Apart from special campus recruitment events, we have also deepened our collaboration with different universities to provide a wide range of employment opportunities for graduates of different academic levels. As of the end of the reporting period, Adicon has worked with over 30 vocational colleges to provide event and competition sponsorships and build training bases for interns. Our partnerships with institutions such as Heilongjiang Nursing College and Liaocheng Vocational and Technical College have been around for nearly 10 years, during which, we have welcomed more than 80 graduates and over 30 interns from them, demonstrating our commitment to achieving joint development and growth.

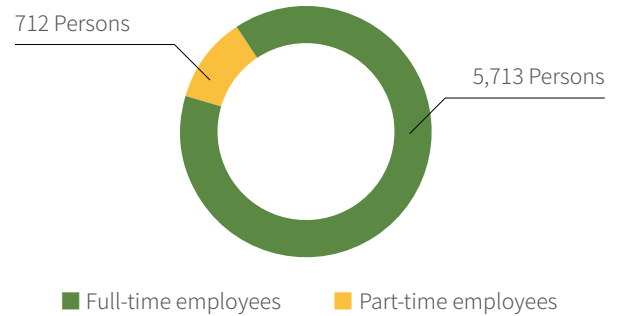
## Talent Pool Expansion

Adicon firmly believes that talented individuals are our best assets. As a result, we are dedicated to expanding our talent pool to ensure sustainable development. Based on factors such as company strategies, business expansion and expected turnover, we forecast the number of new hires we need and make plans accordingly. We have formulated a recruitment plan for 2025 to meet our business and operation needs.

As of the end of the reporting period, Adicon's employment situation was as follows:



Employees by employment type



### 2025 Recruitment Plan

Onboard

**50~100** experts

Hire **500~600**

master's and doctoral talents for key positions



### 2023 Talent Pool Expansion Results

**5**

senior lab technicians

**29**

part-time or expert consultants

**19**

intermediate lab technicians

**130**

junior lab technicians

**39**

managers and above

**295**

campus recruitment

**16**

master's degree holders and above

**102**

bachelor's degree holders

Adicon's Recruitment Plan and 2023 Talent Pool Results



## Development and Training

While expanding our talent pool, we remain committed to talent development and retention. We have established clear hierarchy and career paths, and developed a comprehensive training system to help employees understand their roles and career progression so that everyone can advance together across the different levels.

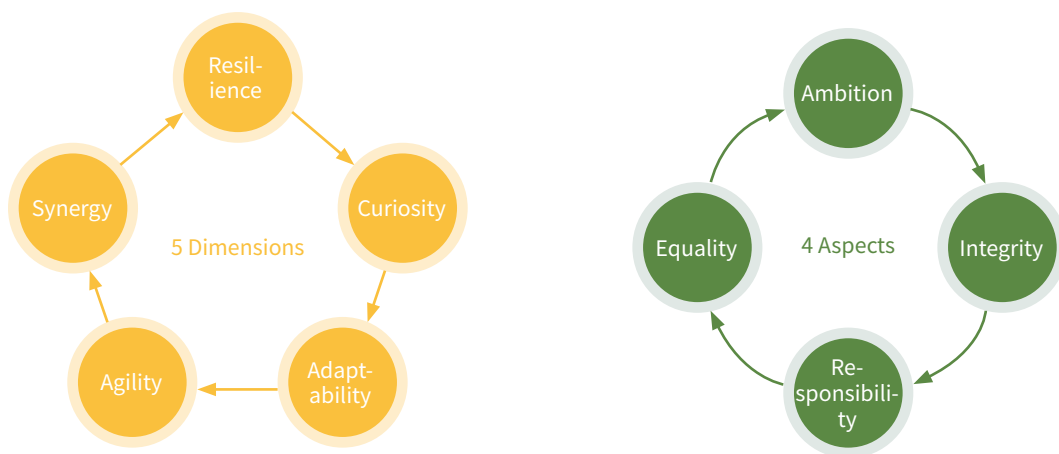
### Employee Development

Adicon has created clear, comprehensive and professional hierarchy systems for four main job categories: functional, sales, laboratory and logistics positions. On top of that, we have three promotion paths: M, P and O, that offer 19 progression opportunities to provide employees with more promotion options. These systems are in line with the market and designed specifically with the characteristics of the industry in mind to ensure talent attraction and retention.



Promotion Paths

To complement the job system, Adicon has established a talent assessment system which forms the basis for determining promotions and how far an employee can go.



Adicon Talent Assessment System – 5 Dimensions, 4 Aspects

New employees inject new blood into the group. Their integration and growth are critical to the sustainable development of Adicon. To help new employees quickly adapt to the new environment and their roles, Adicon has drawn up a development roadmap for them. The roadmap provides a clear and systematic career progression path for them to refer to.



Adicon New Employee Roadmap

Adicon has created a job rotation system for college interns and fresh graduates. After joining us, interns and new hires will rotate between 11 clinical laboratory departments<sup>2</sup> and other functional departments<sup>3</sup> based on their respective internship and job requirements before they are officially assigned to specific positions. The rotation system lays a solid foundation for their future career and significantly increases their adaptability.

<sup>2</sup> 11 clinical laboratory departments: pretreatment sample pre-processing, clinical construction sample archiving and storage, automated immunoassays, instrumental autoimmune and allergy immunity, autoimmunity, enzyme-linked immunoassay, biochemistry, microbiology, mass spectrometry, molecular biology, bone marrow morphology, and comprehensive immuno-electrophoresis and biochip assays.

<sup>3</sup> Functional departments: human resources, administration, marketing and sales departments

## Employee Training

Adicon provides our employees with comprehensive targeted training to improve their skills and professionalism, so that they can meet our business needs. This enables us to create a talent pool that will ensure sustainable development.

Hierarchy/ Business	Hierarchy/Business	Training Program	Course
Hierarchy	General managers of subsidiaries	General Manager Leadership Development Journey	Turning Strategies into Results Inspiring Team Performance
	Frontline supervisors	Gratitude, Growth, Mutual Win – Frontline Supervisor Management Skill Enhancement Training	Frontline Supervisor Management Skills Team Cohesion and Adicon's Corporate Culture
	New employees	Building a Better Future with Adicon	Company Profile, Systems, and Employee Cohesion
	Core personnel of all businesses	Evolve and Soar – Internal Trainer Program	Best Job Experience Compilation Course Development and Design
	General health check-up representative	General Sales Training Camp	Recommendations for Hybrid Hospital Assessment Projects Clinical Assessment Case Studies
Business line	New specialized health check-up employees	Winning 2022 - Training for New General Health Check-up Sales Personnel	Introduction to Specialized Health Check-up and Product Line
	Training for sales executives	Finding Breakthrough and Creating the Future with Adicon - Coaching and Leadership Development Training Program for Sales Executives	Four Principles of Efficient Execution Sales Team Management
	Laboratory managers	From Technology to Management	Research on Laboratory Teamwork From Technology to Management Overcoming Five Obstacles to Team Collaboration by FDT

Adicon Training Programs and Courses Overview (Partial)

### Case Building a Better Future with Adicon new employee training program

During the reporting period, Adicon invited senior executives from the headquarters to provide training for new employees to help them adapt to the workplace. The training also strengthens the connection between the subsidiaries and the headquarters, between new and old employees, and between new employees themselves. By the end of the reporting period, 11 training sessions were conducted for 468 new employees nationwide.



Adicon New Employee Training



The details of the training programs can be found below.

#### Percentage of trained employees over total number of employees

Total employees trained

**5,713** Persons

Percentage of trained employees

**100** %

#### Average training hours

Average training hours

**4.60** Hour/person



#### Percentage of Trained Employees by Gender

Female

**2,376** Persons

Female

**42** %

Male

**3,337** Persons

Male

**58** %

#### Average training hours by gender

Female

**5.24** Hour/person

Male

**4.15** Hour/person

#### Percentage of trained employees by category

Senior management

**412** Persons

Senior management

**7** %

Middle management

**705** Persons

Middle management

**12** %

Non-management

**4,596** Persons

Non-management

**81** %

#### Average training hours by category

Senior management

**2.61** Hour/person

Middle management

**11.81** Hour/person

Non-management

**3.67** Hour/person



## Employee Rights and Benefits

With paying attention to employee training and career development, Adicon also cares about the work experience and personal well-being of our employees. We have established a comprehensive system to protect our employees' rights and interests, and provide them with competitive remuneration and attractive benefits. These ensure a high level of satisfaction and strengthen their cohesion and sense of belonging.

### Employee Rights

To better protect our employees' rights and interests, Adicon has policies in place that prohibit discrimination and harassment against colleagues, suppliers, customers, and visitors. We ask our employees to abide by the relevant policies and regulations, and more importantly, encourage them to report any infringement of employee rights. By doing this, we aim to create a positive workplace and atmosphere for our employees.

We are committed to the physical and mental well-being of our employees and have drafted numerous policies to help them maintain work-life balance. In accordance with the "Employee Attendance and Overtime Management System", we offer three working hour systems: flexible working hours, cycle-based working hours, and standard working hours.

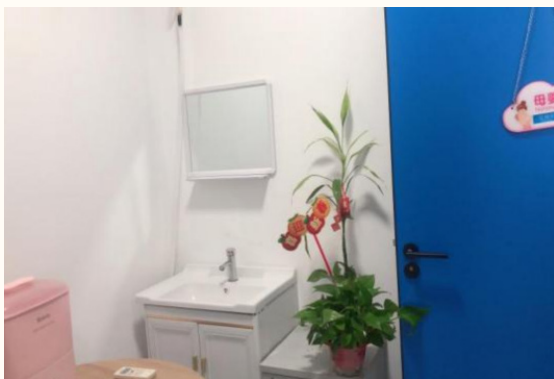
Under special circumstances, we offer our employees certain flexibility, for example, work from home.

Additionally, we also provide support and care for working mothers. We have set up nursing rooms to provide our employees with privacy and comfort. At Adicon, we respect and care about our employees' family.



#### Case

#### Adicon mother-infant rooms



Adicon Nursing Room

Currently, three subsidiaries have individually set up mother-infant rooms, while other companies can provide separate rest rooms for breastfeeding employees to use.



## Remuneration and Benefits

### Remuneration

- Fixed salary (including basic salary, job allowance, medical professional subsidy, registration subsidy, expatriate subsidy, and custody subsidy)
- Sales bonus, commission, overtime allowance, night shift allowance, performance bonus, basic annual bonus, etc.

### Benefits

- Five insurances and one housing fund, employer's liability insurance, annual leave, and children welfare
- Other benefits (wedding gift, maternity gift, and consolation money for hospitalized employees and deceased family members)
- Sick leave, overtime and night shift meal subsidy, holiday benefits, birthday benefits, annual physical examination, spring travel, quarterly corporate retreat, etc.
- Full-time employees enjoy one day of sick leave per month, up to five days per year.

#### Adicon Remuneration and Benefits

Adicon has comprehensive remuneration and welfare policies that keep our employees motivated and satisfied. We have in place diverse salary structure and well-defined appraisal programs that provide employees with competitive and fair remuneration. In terms of welfare, we offer a variety of additional benefits to look after our employees.

### Case

#### Adicon club activities

As of the end of the reporting period, Adicon Labor Union has founded 61 employee clubs and organized a wide range of recreational events, including sports, arts, personal development, leisure and entertainment activities. These not only help employees relax, but also strengthen their relationship with one another and enhance team cohesion. Adicon employee clubs now have a total of 2,085 members.



### Case Employees birthday celebrations

In 2023, Adicon organized a series of themed birthday celebrations for employees, including Mid-Autumn Festival, liquid bear DIY, and glass painting. These give our employees the care and love they deserve on their big day.



Due to the special nature of our business, Adicon faces the challenge of high employee turnover during certain periods of the year. To combat this, the headquarters formulated six measures to increase employee retention. During the reporting period, the turnover rate has made significant improvement.

### Case Employee venting sessions

In 2023, we conducted online and offline employee surveys, and encourage our employees to express their concerns. For example, one of the anonymous questionnaires contains the question "What concerns do you have about Adicon?" In addition, there are "open feedback sessions" during lunch meetings with the general manager. The organizers compiled the major topics that were highlighted, such as employee dormitory facilities/environment, overtime meal subsidies, competency of junior managers, and lack of training, study and activity rooms. These are then flowed to the respective departments to follow-up. The resolution of these issues significantly increased employee satisfaction.

### Case Adicon employee satisfaction survey

In 2023, Adicon conducted an employee satisfaction survey with a focus on two areas: atmosphere and culture. The former included 4 dimensions: basic job requirements, managerial support, teamwork, and development and growth; while the latter comprised 3 dimensions: alignment of business direction, internal communication, and perception of corporate culture. The survey covered 6,081 employees nationwide (including interns and consultants within the headquarters and subsidiaries), of which, 5,784 responded, constituting a response rate of 95%. On a scale of 5, the average score was 3.79. We scored highest in terms of basic job requirements and managerial support, and lowest in perception of corporate culture. The survey gave the management valuable insights into employees' opinions of the company and form the basis for workplace and regulation improvements.

During the reporting period, Adicon's employee turnover was as follows:

Employment	2023
Total turnover	22%
Turnover by gender	
Male	24%
Female	21%
Turnover by age group	
Below 30 years old	28%
30-50 years old	17%
Over 50 years old	18%

Employment	2023
Total turnover	22%
Turnover by geographic location	
East	21%
West	24%
South	27%
North	22%
Central	21%
Other region of China	17%



# Health and Safety

As we grow together with our employees, Adicon insists on putting their health and safety first. To this end, we continue to enhance the safety management system and standards, and carry out various forms of safety promotion activities, in an effort to create a good safety culture and ensure the physical well-being of our employees.

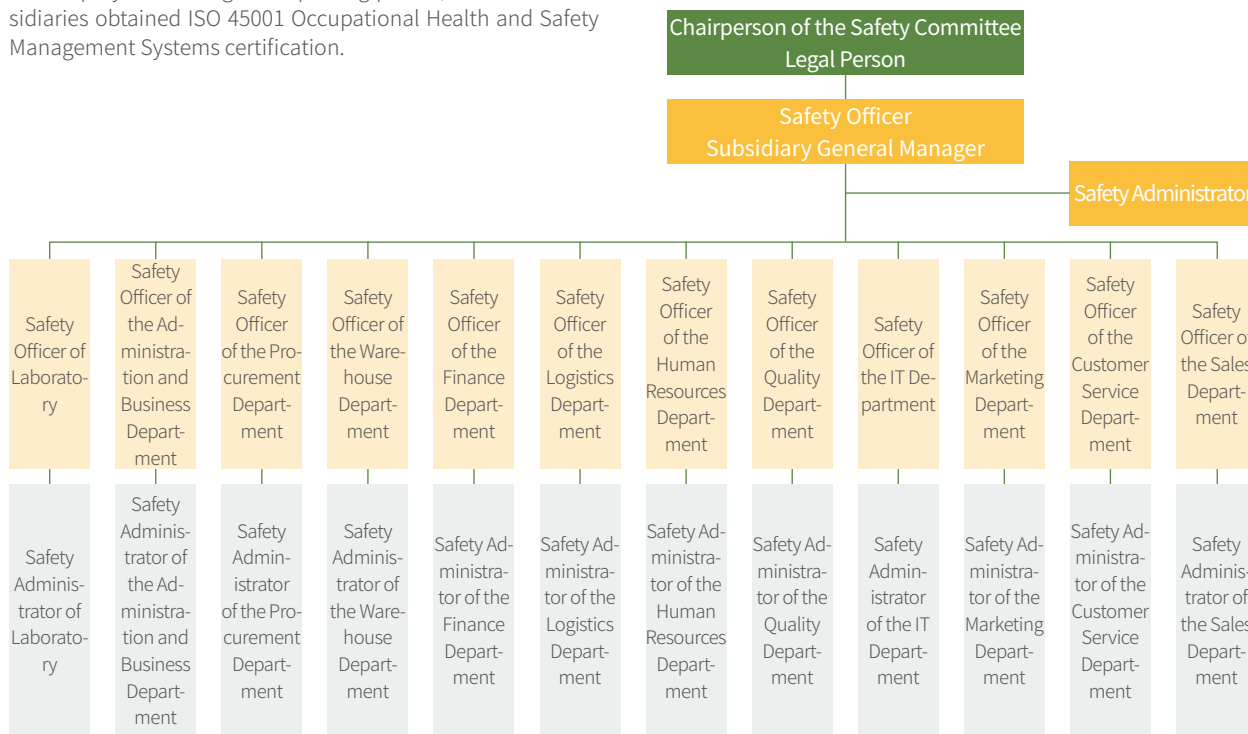
The headquarters has implemented an integrated management system for environment, health, and safety (EHS) for our subsidiaries. Every subsidiary has set up a safe production committee comprising legal persons, general managers, department heads, and department administrators that coordinates and manages their respective EHS matters. The comprehensive management structure allows us to safeguard the health and safety of our employees.

## Safety Management System

To safeguard employees' occupational health, Adicon strictly complies with the related national laws and regulations, such as Work Safety Law of the People's Republic of China and Law of the People's Republic of China on Prevention and Controls of Occupational Diseases. We have formulated more than 20 internal policies, including the "Laboratory Safety Management Procedures", "Occupational Health Management System", "Standard Operating Procedures for Personnel Health Monitoring", "Standard Operating Procedures for Prevention and Control of Occupational Diseases" and "Standard Operating Procedures for Management of Staff Representatives" to create a comprehensive health management system for our employees. During the reporting period, 14 Adicon subsidiaries obtained ISO 45001 Occupational Health and Safety Management Systems certification.



ISO 45001 Certification



Adicon Subsidiary's Safety Committee Structure

## Health and Safety Practices

While improving the safety management system and establishing a safety management framework, Adicon also protects the health and safety of our employees through diverse measures.

### Hardware Facilities

- Laboratories are equipped with fresh air ventilation, emergency shower, eye wash and other safety facilities;
- Health stations with first aid kits containing essential supplies.

### Occupational Disease Physical Examination

- Occupational disease examination for all employees
- Free physical examination and occupational health check for all employees
- Free hepatitis B vaccination for laboratory and logistics staff

### Chemicals Management

- Adicon has a series of stringent policies for chemicals management across all segments
- Storage of chemicals: Chemical Storage Management Standard Operating Procedures
- Collection of chemicals: Chemical Inventory (Return to Warehouse) Ledger
- Use of chemicals: Warehouse Management Standard Operating Procedures and Hazardous Materials Management Standard Operating Procedures

### Emergency Response Plans

- Safety: Comprehensive emergency response plan; special emergency response plans for fire accidents, elevator accidents, confined space accidents, chemical spills, and special equipment accidents; as well as on-site handling plans for fire accidents, chemical spill accidents, mechanical injury accidents, electric shock accidents, falling accidents from heights, poisoning and suffocation accidents, scald accidents, and vehicle injury accidents.
- Environment: On-site response plan for secondary environmental events of fire accidents, on-site response plan for environmental pollution events caused by hazardous chemical spills, on-site response plan for environmental pollution events caused by hazardous waste spills, on-site response plan for excessive emission of air pollutants, etc.
- Biosecurity: "Emergency Response Plan for Nucleic Acid Testing Laboratory Incident", "Emergency Standard Operating Procedure for Laboratory Emergency Public Incidents", "Emergency Response Plan and Standard Operating Procedure for Equipment Malfunctions in Clinical Laboratories", etc.

## Culture of Health and Safety

During the reporting period, Adicon introduced the Employee Assistance Program (EAP) and conducted employee emergency response handling and competency trainings to increase the health and safety standards and create a culture of health and safety.

### Employee Mental Health Seminars and EAP

External lecturers were invited to conduct EAP mental health seminars to address mental and behavioral problems faced by employees

### Emergency Response Training for Employees

External lecturers were invited to conduct seminars on basic first aid procedures, specialized adult and infant CPR training, use of Automated External Defibrillators (AED), handling of common traumatic emergencies, as well as first aid for common internal diseases such as stroke.

During the reporting period, Adicon's occupational health and safety data was as follows:

Number of work-related deaths in the past three years (including the reporting period)

0 Person

Percentage of work-related deaths in the past three years (including the reporting period)

0 %

Lost days due to work injury 337.5 Days

# 05

## Environmental Protection



Adicon is committed to sustainable development and the preservation of ecological environment as our corporate responsibility. We adhere to the principles of low-carbon development, consistently reducing our operational environmental impact. We actively pursue energy-saving initiatives in our laboratories and offices, continuously refine our environmental management system, and improve energy and resource efficiency, aiming to be an environmentally friendly and resource-efficient enterprise.







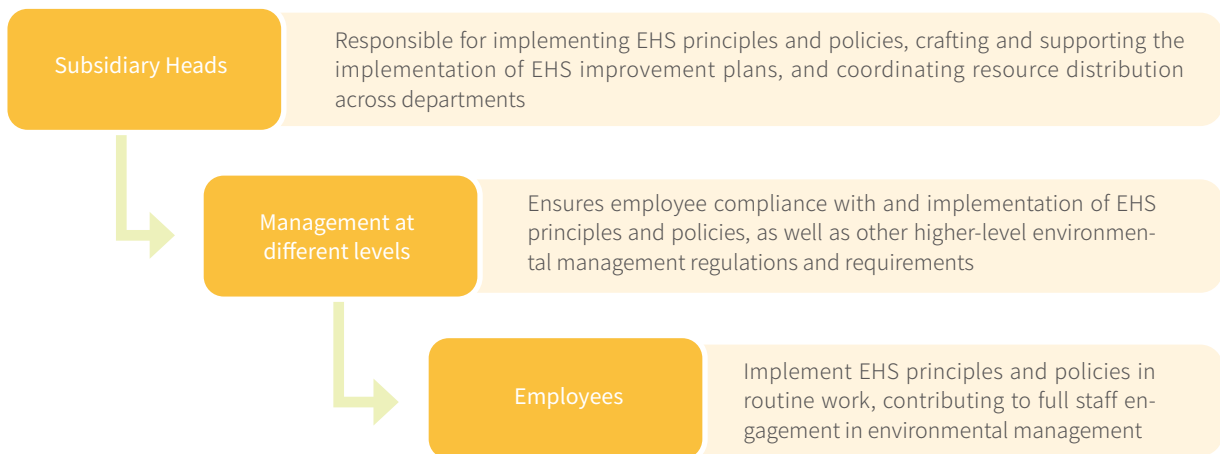
# Environment Management

## Environment Management System

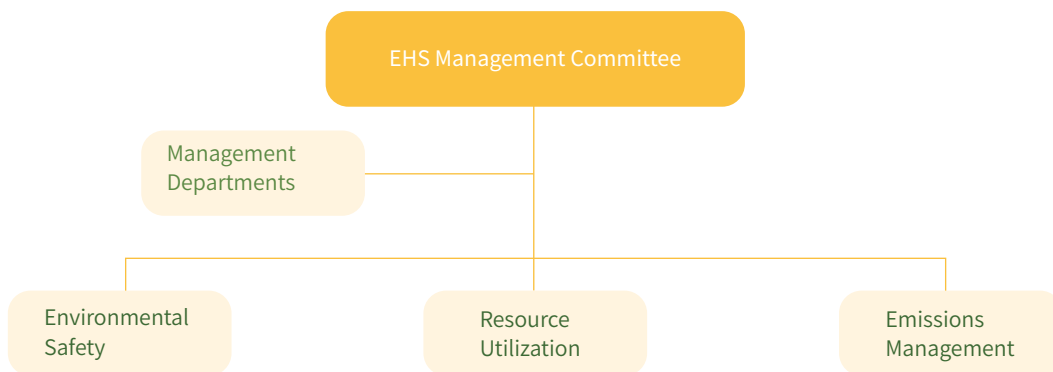
Adicon rigorously complies with environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Water Pollution, Law of the People's Republic of China on the Prevention and Control of Air Pollution, Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste etc. Internally, we establish policies and procedures such as "Environmental Factor Identification and Evaluation Control Procedures" and "Environmental Operational Control Procedures" to improve environmental governance, stan-

standardize protocols, and drive continuous improvement in our environmental performance.

Adhering to principles of "local environmental compliance, dual accountability, hierarchical policy implementation, and full staff engagement", we have developed a comprehensive EHS (Environment, Health, and Safety) management system and environmental management framework. These structures ensure the fulfillment of EHS responsibilities, efficient identification, and mitigation of EHS risks, continually enhancing our EHS performance.



Adicon EHS Management Framework



Adicon Environmental Management Framework

While striving to strengthen our environmental management framework, we are vigorously pursuing certification across the Group to enhance our overall management capabilities. By the end of the reporting period, 14 subsidiaries of Adicon had achieved the ISO 14001 Environmental Management System Certification, with two subsidiaries obtaining certification in 2023.

In addition, we have established a routine environmental compliance review mechanism, conducting on-site inspections and providing guidance on key areas such as pollutant discharge and waste management. During the reporting period, we conducted four rounds of flight inspections for 36 companies, covering all aspects of their compliance operations. Among them, no major environmental issues or risks were found in the environmental dimension.

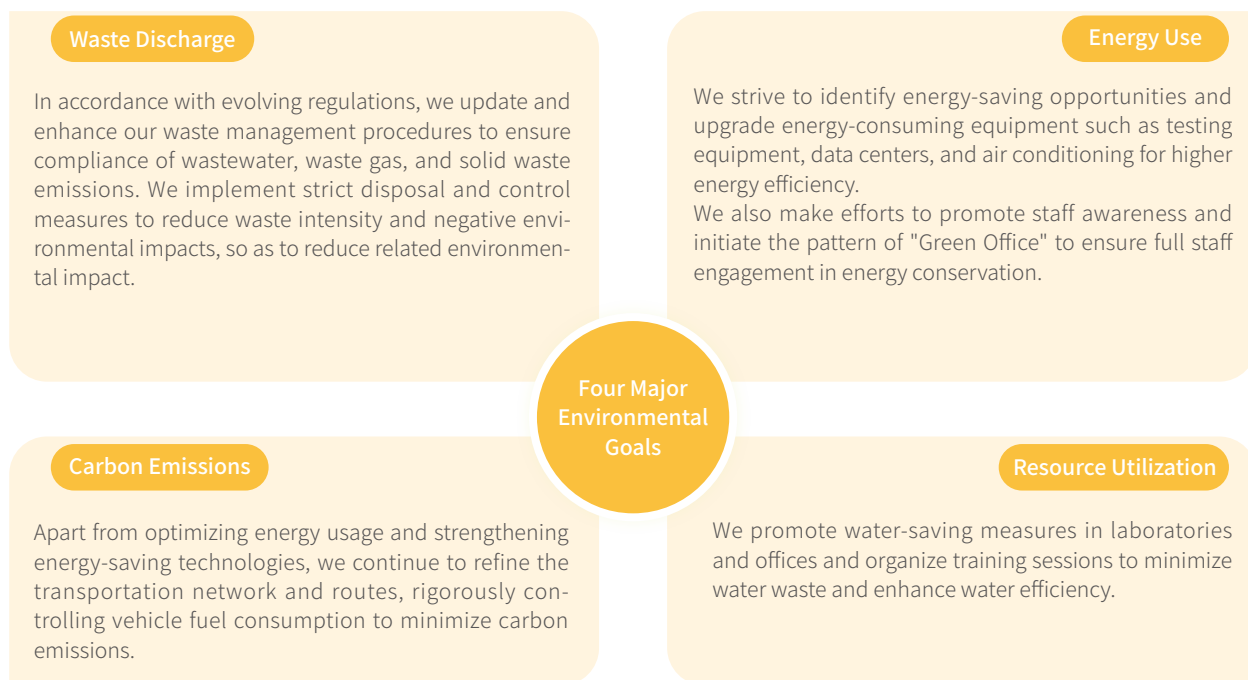
We also organize training sessions for all employees at intervals to deepen their environmental awareness and foster a culture of sustainability. During the reporting period, over 3,300 employees participated in 47 training sessions on environmental issues.



Newly-Acquired Environmental Management System Certifications in 2023

## Environmental Goals

Aligning with business characteristics and industry best practices home and abroad, we have formulated its long-term environmental goals in four major dimensions: waste discharge, energy use, resource utilization, and carbon emissions. These goals serve as guidance of future management efforts, driving our green transformation and sustainable development.



Adicon's Long-term Environmental Management Goals

To ensure effective implementation of environmental policies across management levels and departments, we incorporate environmental performance into executive performance evaluations, linking it to compensation. This reinforces executive accountability for environmental control, driving continual improvement in environmental performance.



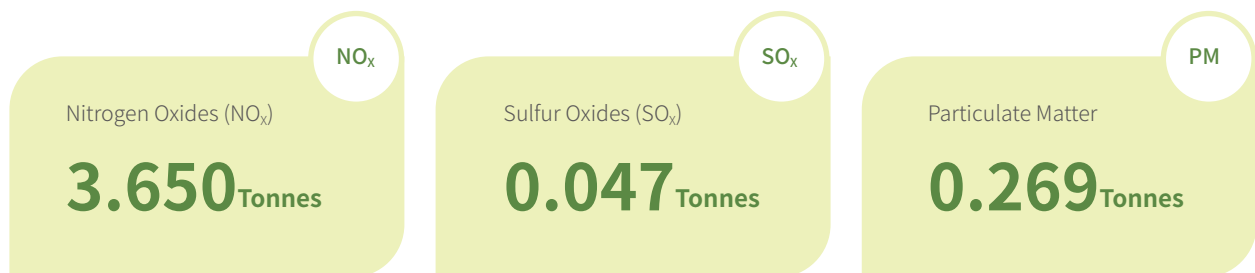
## Emission Management

Compliance with pollutant treatment standards is the bottom line of Adicon's environmental management. Alongside rigorous adherence to local emissions and waste regulations, we have implemented several internal policies and procedures, including the "SOP for Waste Gas Treatment System", "SOP for Wastewater Treatment System", "Standard Operating Procedures for Hazardous Waste Disposal", "Standard Operating Procedures for Disposal of Abandoned Goods", and "SOP for New, Modified, and Expanded Project Management", streamlining our emissions and waste disposal processes. We also continually upgrade our disposal methods and facilities and conduct regular emission monitoring to bolster our capacity for emissions and waste disposal.

### Air Emission Management

At Adicon, the primary waste gases generated during operations include aerosols produced during laboratory tests and volatile organic waste gases from the use of organic solvent chemicals. To address them, we've installed specialized waste gas collection pipelines on emission sources such as biosafety cabinets and fume hoods. These gases are directed to the rooftop treatment system, where they undergo processes like activated carbon adsorption, ensuring they meet emission standards before discharge.

We also regularly engage qualified third-party organizations to conduct external tests on our waste gases. During the reporting period, 56 third-party tests were performed at Adicon headquarters and subsidiaries, all in compliance with China's national and local emission standards. See below for total emission of operational waste gases during this period.



## Wastewater Management

Adicon rigorously adheres to national and local regulations and standards regarding wastewater control, treatment, monitoring, and discharge to ensure the safety and compliance of substances released into water bodies. Operational wastewater mainly includes laboratory test effluents, instrument cleaning wastewater, floor cleaning wastewater, and domestic sewage. Following the "SOP for Wastewater Treatment System", we treat different types of wastewater separately to meet discharge standards.

### Case Laboratory Test Effluents and Equipment Cleaning Wastewater

Wastewater from laboratory testing undergoes pre-treatment either in our self-built facilities or centralized facilities in the park and then is discharged into the municipal sewage network. Afterwards, the wastewater is further treated at the city's sewage treatment plant.

Our self-built sewage treatment stations employ a comprehensive "Pretreatment + A/O" process, incorporating micro-electrolysis, Membrane Bioreactors (MBR), physical-chemical treatment, and anaerobic treatment methods beyond the standard "A/O" treatment required in the Environmental Impact Assessment (EIA) report. This approach significantly reducing pollutant emissions and the treated wastewater meets the Table 2 Pretreatment Standards in China's Discharge Standard of Water Pollutants for Medical Organization(GB/T 18466—2005).



Sewage Treatment Stations

### Case Domestic Sewage

Domestic sewage is first treated in septic tanks within the park to meet the Table 4 Class III standard requirements of the Integrated Wastewater Discharge Standard (GB/T 8978—1996). It is then discharged into the municipal sewage network and forwarded to local treatment plant for further processing.

In 2023, Adicon discharged 9.19 tonnes of COD and 0.453 tonnes of ammonia nitrogen. We ensure the reliability of our sewage treatment systems through regular maintenance every year by dedicated teams. To monitor emissions effectively, we conduct regular self-testing for wastewater pH, residual chlorine, COD, and other indicators based on internal policies and invite qualified third parties to perform regular wastewater testing in line with EIA requirements. Throughout the reporting period, Adicon headquarters and subsidiaries conducted a total of 131 waste water tests, all meeting national and local regulations and standards.

COD

**9.19** Tonnes

Ammonia nitrogen

**0.453** Tonnes

Waste water tests

**131** times

## Waste Management

Adicon adheres to the principles of "minimizing waste generation, ensuring harmless disposal, and promoting recycling" in managing solid waste. We actively seek scientific and environmentally friendly disposal solutions to mitigate environmental impact. Our nonhazardous waste primarily comprises household waste and discarded packaging materials, while hazardous waste mainly includes dangerous waste.

Following internal policies such as the "SOP for Solid Waste Management", "SOP for Hazardous Waste Treatment", and "SOP for Discarded items", we enforce targeted management practices for both nonhazardous and hazardous waste. While ensuring the safe disposal of waste, we consistently enhance waste recycling efficiency to foster a circular economy.

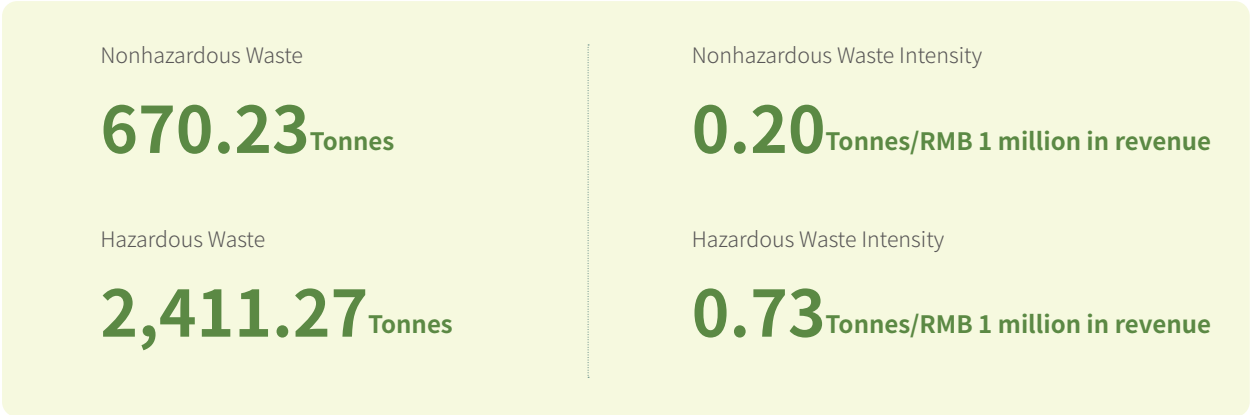
**Nonhazardous Waste**

- Household waste, after sorting, is transferred to the municipal sanitation department for unified collection, transportation, and disposal;
- Packaging materials, such as cardboard and plastics, are gathered and forwarded to recycling entities for reuse.

**Hazardous Waste**

- Hazardous waste, after being sorted and stored, is entrusted to disposal organizations with hazardous waste management permits at the company's location for proper disposal.

By the end of the reporting period, Adicon achieved a 100% effective waste disposal rate. Refer below for the quantities of different waste types generated during the reporting period.





## Resource Conservation

Adicon actively advocates the low carbon concept and continuously explores low-carbon pathways and sustainable business models that align with our business characteristics. Energy and resource management has become a crucial part of our sustainable development efforts. We consistently monitor energy and resource usage in operations, aiming at enhancing efficiency and embodying the principles of resource conservation.

### Energy Management

We rigorously adhere to laws and regulations such as the Energy Conservation Law of the People's Republic of China, and follow guidelines such as the Catalogue for Guiding Industry Restructuring (2019 Version) and the Catalogue of recommended energy-saving technologies and equipment (2019) for laboratory and office energy equipment configurations to reduce consumption at the source and boost efficiency.

Internally, standardized procedures such as the "Energy and Resource Management Operating Procedures" ensure effective management of energy-consuming equipment and processes. In addition to these preventative measures, we have implemented a post-usage routine performance tracking system. Departments self-report their energy use by filling out a form and conduct quarterly special inspections. Any anomalies identified are addressed in accordance with the "Corrective Action Management Procedures", realizing the pre and post management of energy consumption.

Energy management considerations are integrated into the early stages of laboratory construction. For example, to reduce energy consumption in daily operations, we procure variable frequency equipment, energy-saving lighting and air conditioning systems, laying the foundation for future energy conservation. During construction, we strictly adhere to China's green building and design standards such as the Green Building Design Standard (DB 33/1092-2016) and General Code for Energy Efficiency and Renewable Energy Application in Buildings (GB/T 55015—2021), enhancing energy efficiency in laboratory operations. Additionally, the zone controlled lighting system in laboratories and offices has been implemented to minimize energy waste.

- ▶ Transitioning to LED lighting and variable-frequency AC, implementing lighting zoning, and adding timed switch to UV lamps
- ▶ Incorporating energy-efficient facilities in lab design and construction
- ▶ Using automatic variable frequency systems in waste gas treatment to reduce electricity usage
- ▶ ...

#### Adicon Laboratory Energy-Saving Initiatives



Labs Fully Utilizing LED Lighting and Variable Frequency Devices

Our energy consumption data and greenhouse gas emissions for the reporting period is shown in the table below.

Energy Consumption		
Resource Type	Unit	Quantity
Diesel	Tonne	40.87
Gasoline	Tonne	2,300.47
Direct Energy Consumption <sup>4</sup>	Tonne of Standard Coal	3,444.46
Direct Energy Consumption Intensity	Tonne of Standard Coal/RMB1 million revenue	1.04
Purchased electricity	MWh	23,521.75
Indirect Energy Consumption	Tonne of Standard Coal	2,890.82
Indirect Energy Consumption Intensity	Tonne of Standard Coal/RMB1 million revenue	0.88
Comprehensive Energy Consumption	Tonne of Standard Coal	6,335.28
Comprehensive Energy Consumption Intensity	Tonne of Standard Coal/RMB1 million revenue	1.92
Greenhouse Gas Emissions		
GHG Type	Unit	Emission
Scope 1 <sup>5</sup>	Tonne of CO <sub>2</sub> e	7,127.83
Scope 2 <sup>6</sup>	Tonne of CO <sub>2</sub> e	13,414.45
Scope 1 + Scope 2	Tonne of CO <sub>2</sub> e	20,542.28
GHG Emission Intensity	Tonne of CO <sub>2</sub> e/RMB 1 million in revenue	6.23

## Use of Resource

Adicon advocates the harmonious development between humans and nature and protects valuable ecological resources through practical actions. We strictly adhere to laws and regulations such as the Water Law of the People's Republic of China to manage water usage, while continuously enhancing staff awareness of water conservation. We obtain ample water supply for our operations from municipal sources, which is primarily allocated for laboratory testing, office use, and domestic needs, and there is no issue in sourcing water that is fit for purpose.

See below for our water consumption data during the reporting period.

Item	Unit	Quantity
Total Water Consumption	Cubic meters	132,243.57
Water Use Intensity	Cubic meters/RMB 1 million in revenue	40.10

<sup>4</sup> Energy consumption is calculated according to the General principles for Calculation of Total Production Energy Consumption (GB/T 2589—2020)

<sup>5</sup> The calculation of Scope 1 emissions adopts the low calorific values of gasoline and diesel as specified in the 2005 China Greenhouse Gas Inventory Study, which are 44.8 GJ/t and 43.33 GJ/t, respectively. Additionally, the carbon content per unit of energy for gasoline and diesel, derived from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the Provincial Greenhouse Gas Inventory Guidelines (Trial), is 0.0189 tC/GJ and 0.0202 tC/GJ, respectively. Furthermore, a carbon oxidation efficiency of 98% for both gasoline and diesel is applied, as outlined in the Provincial Greenhouse Gas Inventory Guidelines (Trial).

<sup>6</sup> Scope 2 emissions are calculated using the average emission factor for China's national power grid in 2022, which is 0.5703 t CO<sub>2</sub>/MWh. The data was published by the Ministry of Ecology and Environment in the Notice on the Management of Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Industry in 2023-2025.

## Green Office

Adicon is intensifying efforts to cultivate a sustainable office culture, aiming for eco-friendly practices and a workplace mindful of carbon footprint.

Initiatives include prominently displaying reminders for electricity and water conservation by switches, sinks, and main entrances. We advocate the reuse of office supplies by adopting a registered usage policy and aim to minimize the use of disposable items. For instance, employees are encouraged to bring their own cups, notebooks and refillable pens to meetings. Embracing paperless operations, we are transitioning to PDA devices for data entry to reduce paper usage. Additional measures include encouraging double-sided printing and providing paper recycling bins and shredders to minimize waste.



Energy Conservation Posters



Adicon's PDA Digital Data Entry System



Environmental Protection Roll-Up Banners



Energy Conservation Reminders

## Climate Change Adaptation

In the face of climate change challenges, Adicon is fully aware of the risks and impacts posed by extreme weather events such as strong winds, cyclones, floods, and heavy rainfall on our business operations and development. We actively identify climate-related risks and opportunities and continually refine our response strategies and action plans for various climate scenarios and extreme conditions. We are committed to collaborating with various global stakeholders to address climate challenges.

Adicon and its subsidiaries have developed effective incident response plans for various extreme weather conditions and major events. By implementing key measures such as issuing extreme weather alerts, establishing emergency transport routes, and conducting proactive planning and management for major events, we bolster our climate resilience and ensure operational stability and employee safety.



# 06

## Social Responsibilities



Adicon knows our social responsibilities as a corporate citizen. With our professional advantage and competency in integrating different resources, we take a proactive approach in collaborative initiatives and promoting social causes. We strive to deliver mutual benefits and shared development together with other stakeholders and further enhance our reputation as a compassionate and responsible company.





## Charity and Social Welfare

We are committed to our social responsibilities and are constantly giving back to society through practical actions. Beyond our efforts in the areas of public health and medical assistance, we are also making contributions to other fields, such as scientific research and education.

### Healthcare

When it comes to public healthcare, we are working with the Women's and Children's Hospital of Tongguan County in Weinan, Shaanxi Provincial Cancer Hospital, and Northwest Women and Children's Hospital to provide cervical cancer and breast cancer screening for women in rural areas. We also signed a donation agreement with relevant health institutions in Xihu District contribute to the well-being of the people to the best of our abilities.

#### Case

#### Adicon promotes cancer screening initiative for women in Tongguan in 2023

In 2023, Adicon partnered the Women's and Children's Hospital of Tongguan County in Weinan to provide cervical cancer and breast cancer screening for women in rural areas. Our extensive experience and advanced technologies gave important technical support to the success of this initiative. With our high-quality screening service, we ensured that medical institutions in the country can carry out their tests more accurately and efficiently, so that the women in the area can get the timely diagnosis that they need.



Cancer Screening Meeting in Tongguan County

#### Case

#### Adicon donates RMB50,000 to Xihu Red Ribbon Fund

To provide more humanitarian care to HIV-positive patients and to protect the rights of infected pregnant women and children, we set up our first dedicated care fund—Xihu Red Ribbon Fund, in Xihu District, Hangzhou, in March 2023. At the ceremony, Adicon Clinical Laboratories, Inc donated RMB50,000 as the initial fund for the project. The money will be used to provide substantial assistance to infected pregnant women and their families, demonstrating our determination to fulfill social with our responsibilities and our support for public welfare.



Xihu Red Ribbon Fund Donation Ceremony

## Education

Adicon is working with medical institutions and universities in China to jointly promote medical research and education. By getting involved in university course design, we aim to nurture skilled laboratory medicine and pathology professionals for the future.

Partner	Course	Number of Participating Students
Medicine and Technology College of Zunyi Medical University	Lean management of independent clinical laboratories (ICL), career planning for college students, resume writing and interview skills, comprehensive quality management of clinical laboratories, performance validation and confirmation of testing procedures, comparability of medical laboratory test results, and introduction to ISO 15189 accreditation for clinical laboratories.	Public course participants: 400+, including 30 in Adicon Class
Jilin Medical University	Cell morphology, cytogenetics, molecular pathology, comprehensive diagnosis of hematological diseases, pathology technology, and remote pathology technology.	Public course participants: 200+, including 27 in Adicon Pathology Class
Beihua University	Career planning for college students, and resume writing and interview skills.	170+

Collaborative Course Design

We shared professional medical knowledge with students to spark their interest in medicine and nurture a future medical work force for the betterment of the society.

### Case

#### Adicon lectures at Medicine and Technology College of Zunyi Medical University

In October 2023, we were invited to deliver a lecture to more than 400 freshmen and faculty members at the Medicine and Technology College of Zunyi Medical University. Pan Chao, Senior Vice President & Head-Laboratory at Adicon Holdings, gave an introduction on the origin and development of the ICL industry, as well as the Adicon's development over the years to the freshmen majoring in laboratory medicine. His lecture stimulated their interest in medicine, providing insights and guidance for their future career choices.



Pan Chao's Lecture at Medicine and Technology College of Zunyi Medical University

Adicon also sponsors campus activities and competitions in a bid to attract more students and unleash their creativity and competitiveness.

#### Case Adicon sponsors Beihua University's skills competition

In November 2023, Adicon sponsored the first Adicon Cup Medical Laboratory Skills Competition held by Beihua University with a cash injection of RMB10,000. Wang Yi from Adicon took part in the event as an expert judge, while Adicon's executives Pan Chao and Lou Yongwei attended the award ceremony. During the competition, the students gained a better understanding of core professional qualities and improved their practical skills, laying a solid foundation for future internships and their career.



Adicon Cup Clinical Laboratory Skills Competition at Beihua University

#### Case Adicon sponsors the Mock Interview Competition at Hangzhou Medical College

In May 2023, Adicon sponsored RMB50,000 to organize the Mock Interview Competition at Hangzhou Medical College. We also discussed with the sophomores and juniors about their career planning and helped them practice their interview skills. In doing so, we showed them how the job market is like and improved their interview skills, so that they can be more competitive in their job search. In addition, we helped students discover their strengths and weaknesses and give advice to them in preparation for future learning and career.



Mock Interview Competition at Hangzhou Medical College



## Employees Care

We meet the needs of our employees through practical means such as mutual medical aid and humanitarian relief.

Why is insurance necessary?	What is covered?	Who is covered?
<ul style="list-style-type: none"> <li>• Reduce employees' medical bills</li> <li>• Provide better medical coverage</li> <li>• Additional protection on top of existing medical and commercial coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Subsidize inpatient and designated outpatient medical bills not covered by medical insurance</li> <li>• Allowance to cover inpatient medical bills and the cost of treatment for serious illnesses</li> <li>• Allowance for certain female diseases</li> </ul>	<ul style="list-style-type: none"> <li>• All payroll employees who have been registered with real name authentication in the smart platform of Hangzhou Federation of Trade Unions</li> </ul>

### Hangzhou Mutual Medical Aid Program for Employed Workers

In 2023, Adicon provided RMB280,000 of relief money to families of deceased employees in order to ease their financial burdens and give them mental support.

### Relief Money Provided to Employees' Families

**RMB280,000**

## Art & Culture

Beyond the pursuit of economic performance, Adicon also advocates the promotion of art and culture. We allow the art and culture scene to flourish by sponsoring art activities and promoting cultural innovation.

### Case

#### Adicon sponsors Hong Kong Philharmonic Orchestra (HK Phil)

Hong Kong Youth Symphonic Orchestra was founded to provide opportunities for young people in Hong Kong to pursue their musical aspirations and go further in the world of music. In January 2024, HK Phil held a charity concert, an annual performance and a fundraiser for the bursary for diligent members. With the donation, Adicon promoted symphony and brought the recognition and appreciation to the art scene.



Donation Certificate by HK Phil

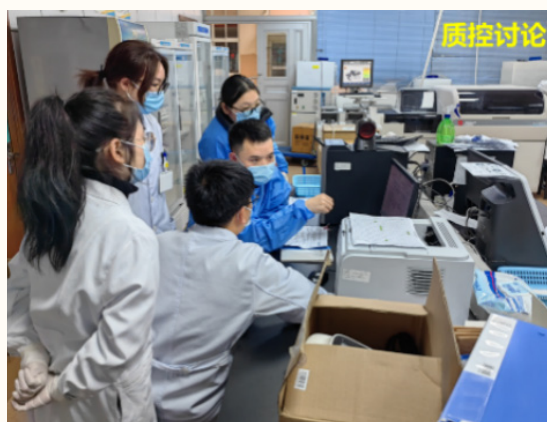


## Collaboration

Through collaborations, Adicon provides professional and technical support to medical institutions of all sizes and types, so that we can progress together and achieve shared development.

### Case Adicon's collaboration with Wenzhou Tongle Hospital

Wenzhou Tongle Hospital is a medical complex built according to tertiary hospital standards that brings together health care, scientific research, health management, and rehabilitation care. It is also the first private integrated healthcare organization in Wenzhou. In 2023, we reached a cooperation agreement with Wenzhou Tongle Hospital, and assisted in the site design and planning for its new branch hospital. Specifically, we added blood collection windows, provided conveyor equipment, upgraded testing equipment, validated the brand and performance of each equipment, provided training and after-sales maintenance services, and processed the data of the new laboratory information system (LIS). Adicon's extensive experience in building and operating laboratories helped to advance the development of the clinical laboratory, an integral part of the hospital, and ensure it stays at the forefront of the field.



Adicon Assisted the Hospital in Quality Control

### Case Adicon's collaboration with Zhuhai Chancheng Hospital clinical laboratory

Adicon and Zhuhai Chancheng Hospital, a medical institution under Fosun Pharmaceutical Group, have reached a comprehensive cooperation agreement, and established a collaboration in June, 2021, with we constructing the "laboratory (including PCR laboratory) and pathological laboratory" of Zhuhai Chancheng Hospital. Adicon leverages its advantages in laboratory construction, laboratory standard operating procedures (SOP) management, quality management systems, process optimization, software development, system integration, expert resources in the field of medical testing, market networks, logistics networks, and service networks to help Zhuhai Chancheng Hospital improve the quality management level before, during, and after testing and analysis, accelerate the construction of standardized service procedures for the laboratory, enhance the professional technical service and testing capabilities of Zhuhai Chancheng Hospital, and promote the development of various disciplines at "Chan Hospital". Since the establishment of the cooperation, Adicon has provided various special services to Zhuhai Chancheng Hospital, including quality internal audit services, lean operation management services, inter-laboratory quality evaluation services, equipment and reagent management services, departmental quality improvement services, report internal audit and discipline construction services, and assisted the hospital in successfully passing the PCR laboratory acceptance and grade evaluation.



### Case Adicon's collaboration with community healthcare service centers

In 2023, Adicon signed cooperation agreements with a number of healthcare service centers in Xihu District, Hangzhou, marking a significant breakthrough in this area. Adicon harnessed its strengths in laboratory building, standardized laboratory management, laboratory

quality management system, process optimization, software development, etc., in response to the need for better local medical services and to empower community healthcare service centers.

### Case Adicon's collaboration with Ouhai District, Wenzhou

In 2016, led by Health Commission of Wenzhou and Ouhai District Health Bureau, the Ouhai Regional Clinical Laboratory Center was established. The Ouhai Clinical Laboratory Center was once a benchmark project for national regional laboratory centers. However, with the continuous development of medical standards, a series of issues have emerged in the operation of the Ouhai Regional Clinical Laboratory Center. For instance, the original equipment configuration has been unable to meet the testing demands under the new situation. Additionally, there are insufficient scientific personnel management and division of labor, which cannot adapt to the testing capacity requirements under the new era and new tasks. In particular, during the normalization of the COVID-19 pandemic, the testing capacity for the virus has been unable to meet the demand.

In 2022, Adicon reached a cooperation agreement with Wenzhou Health Bureau to establish a nucleic acid testing base and construct a new regional central laboratory in the Ouhai area, aiming to enhance the overall testing and inspection capabilities in the region. Adicon formed a partnership with the Ouhai Clinical Laboratory Center established by the Ouhai Health Bureau through a collaborative and joint construction model. Operating under the "central laboratory + outpatient laboratory" model, it covers one central laboratory and seven community health service centers. The central laboratory offers clinical testing, biochemistry, immunology, microbiology, and PCR services, while the seven community health service centers mainly conduct routine tests such as blood routine, urine routine, electrolytes, and blood coagulation.

After the cooperation, Adicon has conducted a series of works for the regional laboratory center, including equipment updates, unified management and supply of reagents and consumables, capability assessment and performance evaluation system updates for laboratory personnel, renovation and transformation, academic exchanges, grade evaluation, and improvement of the quality management system. These efforts have significantly improved the testing level of the regional clinical laboratory center, meeting the medical testing needs of the local population.



## Appendix 1: Part C of ESG Reporting Guide

Subject Areas, Aspects, General Disclosures and KPIs			Chapter
Environmental			
Aspect 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.	Environmental Management Waste Management
	A1.1	The types of emissions and respective emissions data.	Waste Management
	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).	Resource Conservation
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
	A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Management
	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.	Waste Management
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Conservation
	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).	Resource Conservation
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resource Conservation
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management
	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.	Environmental Management Resource Conservation
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	No packaging material is used in our business.
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Management Waste Management Resource Conservation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management Waste Management Resource Conservation



Subject Areas, Aspects, General Disclosures and KPIs			Chapter
Aspect 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.	Climate Change Adaptation
	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.	Climate Change Adaptation
Social			
Aspect 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.	Employment
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Rights and Benefits
Aspect 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.	Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	B2.2	Lost days due to work injury.	Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect 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.	Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	Employment
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Purchasing
	B5.1	Number of suppliers by geographical region.	Responsible Purchasing
	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.	Responsible Purchasing
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Responsible Purchasing
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Purchasing

Subject Areas, Aspects, General Disclosures and KPIs			Chapter
Aspect 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.	Quality Management
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No recalls involved in our products.
	B6.2	Number of products and service related complaints received and how they are dealt with.	Service Philosophy
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Testing Research and Development
	B6.4	Description of quality assurance process and recall procedures.	Quality Management
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Information Security and Privacy Protection
Aspect 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.	Compliant Operations
	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.	Compliant Operations
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Compliant Operations
	B7.3	Description of anti-corruption training provided to directors and staff.	Compliant Operations
Aspect 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.	Charity and Social Welfare
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Charity and Social Welfare
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Charity and Social Welfare

# Appendix 2: ESG Performance Indicators of Adicon in 2023

## Environmental Performance

Indicator of HKEX Guideline	Item	Unit	2023	
Aspect A1: Emissions	Air Emissions	NO <sub>x</sub>	Tonne	3,650
		SO <sub>x</sub>	Tonne	0.047
		PM	Tonne	0.269
	Discharges into Water	COD	Tonne	9.19
		Ammonia Nitrogen	Tonne	0.453
	Waste	Non-hazardous Waste	Tonne	670.23
		Non-hazardous Waste Discharge Intensity	Tonne/Million Revenue	0.20
		Hazardous Waste	Tonne	2,411.27
Hazardous Waste Discharge Intensity		Tonne/Million Revenue	0.73	
Aspect A2: Use of Resources	Energy Consumption	Diesel	Tonne	40.87
		Gasoline	Tonne	2,300.47
		Direct Energy Consumption <sup>7</sup>	Tonne of Standard Coal	3,444.46
		Direct Energy Consumption Intensity	Tonne of Standard Coal / Million Revenue	1.04
		Purchased Electricity	MWh	23,521.75
		Indirect Energy Consumption	Tonne of Standard Coal	2,890.82
		Indirect Energy Consumption Intensity	Tonne of Standard Coal / Million Revenue	0.88
		Total Comprehensive Energy Consumption	Tonne of Standard Coal	6,335.28
	Greenhouse Gas Emissions	Scope 1 Emissions <sup>8</sup>	Tonne of CO <sub>2</sub> e	7,127.83
		Scope 2 Emissions <sup>9</sup>	Tonne of CO <sub>2</sub> e	13,414.45
		Scope 1 + 2	Tonne of CO <sub>2</sub> e	20,542.28
		Greenhouse Gas Emissions Intensity	Tonne of CO <sub>2</sub> e/ Million Revenue	6.23
	Water Consumption	Total Water Consumption	Cubic Meter	132,243.57
		Total Water Consumption Intensity	Cubic Meter/ Million Revenue	40.10

<sup>7</sup> Energy consumption is calculated according to the General principles for Calculation of Total Production Energy Consumption (GB/T 2589—2020)

<sup>8</sup> The calculation of Scope 1 emissions adopts the low calorific values of gasoline and diesel as specified in the 2005 China Greenhouse Gas Inventory Study, which are 44.8 GJ/t and 43.33 GJ/t, respectively. Additionally, the carbon content per unit of energy for gasoline and diesel, derived from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the Provincial Greenhouse Gas Inventory Guidelines (Trial), is 0.0189 tC/GJ and 0.0202 tC/GJ, respectively. Furthermore, a carbon oxidation efficiency of 98% for both gasoline and diesel is applied, as outlined in the Provincial Greenhouse Gas Inventory Guidelines (Trial).

<sup>9</sup> Scope 2 emissions are calculated using the average emission factor for China's national power grid in 2022, which is 0.5703 t CO<sub>2</sub>/MWh. The data was published by the Ministry of Ecology and Environment in the Notice on the Management of Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Industry in 2023-2025.

## Social Performance

Indicator of HKEX Guideline	Item	Unit	2023	
Aspect B1 Employment <sup>10</sup>	Employees by employment type	Full-time employees	Person	5,713
		Part-time employees	Person	712
	Employees by Gender	Female	Person	3,337
		Male	Person	2,376
	Employees by Age Group	Under 30	Person	2,350
		30 to 50	Person	3,274
		Over 50	Person	89
	Employees by Geographical	East China	Person	1,613
		West China	Person	561
		South China	Person	638
		North China	Person	1,314
		Central China	Person	1,154
		Other Region of China	Person	433
	Employee Turnover Rate		%	22
	Turnover Rate by Gender	Male	%	24
		Female	%	21
	Turnover Rate by Age Group	Under 30	%	28
		30 to 50	%	17
		Over 50	%	18
	Turnover Rate by Geographical Region	East China	%	21
West China		%	24	
South China		%	27	
North China		%	22	
Central China		%	21	
Other Regions of China		%	17	
Aspect B2: Health and Safety	Number of work-related fatalities occurred in the past three years (including the reporting period)		Person	0
	Work-related fatality rate in the past three years (including the reporting period)		%	0
	Lost days due to work injury		Day	337.5

<sup>10</sup> Unless otherwise specified, employee-related data cover full-time employees of the Group

Indicator of HKEX Guideline	Item	Unit	2023	
Aspect B3: Development and Training	Total Trained Employees	Person	5,713	
	Percentage of Trained Employees	%	100	
	Trained Employees by Gender	Male	Person	2,376
		Female	Person	3,337
	Percentage of Trained Employees by Gender	Male	%	42
		Female	%	58
Aspect B3: Development and Training	Trained Employees by Employee Category	Senior Management	Person	412
		Middle Management	Person	705
		Non-management	Person	4,596
	Percentage of Trained Employees by Employee Category	Senior Management	%	7
		Middle Management	%	12
		Non-management	%	81
	Average Training Hours	Hour/Person	4.60	
	Average Training Hours by Gender	Male	Hour/Person	5.24
		Female	Hour/Person	4.15
	Average Training Hours by Employee Category	Senior Management	Hour/Person	2.61
Middle Management		Hour/Person	11.81	
Non-management		Hour/Person	3.67	
Aspect B5: Supply Chain Management	Number of Centralized Suppliers by Geographical Region	East China	Quantity	534
		South China	Quantity	84
		Central China	Quantity	236
		North China	Quantity	90
		Northwest China	Quantity	6
		Southwest China	Quantity	45
		Northeast China	Quantity	29
		Hong Kong, Macao and Taiwan, China	Quantity	1
Aspect B6: Product Responsibility	Number of complaints received about products and services	Quantity	944	
Aspect B7: Anti-Corruption	Number of concluded legal cases regarding corrupt practices brought against the group or its employees	Quantity	0	
	Anti-corruption training for employees	Number of Anti-corruption training for directors	Quantity	3
		Number of Anti-corruption training for other employees	Quantity	10
	The covering rate of Anti-corruption training for employees	%	100	
Aspect B8: Community Investment	Donation Amount	RMB	1,662,600	

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