

ARRAIL 瑞尔®

Fabulous Smile . Confident You

Arrail Group Limited

(Incorporated in the British Virgin Islands with limited liability
and continued in the Cayman Islands)

Stock Code: 6639



2023/24

Environmental, Social and
Governance Report

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I. About This Report



Arrail Group Limited (hereinafter “**the Company**”), its subsidiaries and VIE Entities (hereinafter “**Arrail Group**”, “**the Group**” or “**we**”) publish the Environmental, Social and Governance Report (hereinafter “**ESG Report**” or “**this report**”) for the year 2023/2024 to objectively and fairly describe our ESG concept, practices and key achievements. It is advised to read the contents relating to governance together with the Corporate Governance Report in the Group’s annual report for the year 2023/2024.

REPORTING SCOPE

This report covers the period from April 1, 2023 to March 31, 2024 (hereinafter “**the current year**”) and may include matters beyond the period to maintain the continuity of information. During the current year, our clinics and hospitals offered a diverse range of professional and customized dental services. This report summarizes the performance of the Group in respect of corporate social responsibility, covering the above principal operating activities. Considering the small scale of the denture production factory of the Group, which accounts for only 1% of the operating revenue, this report covers the Company, its subsidiaries and VIE Entities except for the denture production factory, and all amounts of currency involved in this report is denominated in Renminbi (“**RMB**”).

INFORMATION SOURCES

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

REPORTING LANGUAGE

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

PREPARATION REFERENCE

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the “**ESG Reporting Guide**”) set out in Appendix C2 to the *Main Board Listing Rules* on the Stock Exchange of Hong Kong Limited and discloses content and data relating to ESG issues pursuant to the principles of materiality, quantitative, balance and consistency as well as the “**comply or explain**” provisions in the Guide.

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

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

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

“Consistency”: Unless otherwise stated, the KPIs and statistical methods disclosed in this report are consistent with those in the *Environmental, Social and Governance Report for the year 2022/2023* of the Group.

REPORT ACCESS

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

II. About Arrail Group



(I) COMPANY PROFILE

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

The Group has been offering a diverse range of professional and personalized dental services spanning general dentistry, orthodontics and implantology. At present, the Group directly operates 123 dental clinics and hospitals in 15 cities across China, with 1,569 dental chairs and 972 full-time doctors. We have served patients in more than 10 million visits in the past ten years and developed a growing and loyal customer base, aiming to provide one-stop, professional, and high-quality oral healthcare services that encompass the full life cycle of patients. The Group concurrently operates Arrail Dental (a leading premium oral healthcare service brand) and Rytime Dental (a mid-range oral healthcare service brand), offering clear and distinct value propositions to patients from diverse economic and regional backgrounds.

Arrail Dental

Arrail Dental is a leading premium dental services brand in China, consistently committed to providing top-tier oral healthcare services to consumers in China's first-tier and emerging first-tier cities. Currently, Arrail Dental clinics has set up 49 outpatient clinics nationwide, mainly located in renowned landmarks and prestigious properties, boasting exceptional doctors, high-end diagnostic and treatment facilities, a comfortable treatment environment, as well as stringent quality control standards. It is Arrail Dental's mission to deliver exceptional oral healthcare experiences to its clients.

Rytime Dental

Rytime Dental commenced operations in 2012, embracing medical quality as the cornerstone of its enduring success and shouldering the mission of safeguarding the oral health of a greater number of people in China. Rytime Dental operates 74 outlets, including 10 hospitals and 64 clinics, primarily targeting middle-class consumers in first-tier cities and key second-tier cities. Most of its facilities are located in densely populated residential areas, offering high-quality oral healthcare services at more affordable prices across a broader geographical reach, enabling customers to easily access convenient and premium oral care services.

Since our inception, we have been held the vision of "becoming a world-leading oral healthcare service group," adhering to the values of "integrity, professionalism, and being a good person." With the mission of "bringing healthy and confident smiles to every customer," we strive to provide personalized and high-quality oral healthcare services to each and every client. Simultaneously, we have established a customer-central service philosophy where "customers are family," tailoring exclusive "appropriate treatment" plans for each patient to ensure that treatments adhere to scientific principles and are imbued with humanistic care. We foster a cohesive corporate culture that promotes effective collaboration between dentists and employees, delivering professional services to patients and reinforcing long-term, mutually trusting relationships with patients, dentists, and business partners.

II. About Arrail Group

The Group is committed to the long-term pursuit of sustainable development, working hand in hand with all stakeholders to lay the foundation for sustainable growth. We continuously enhance medical and service quality, ensuring patients receive safe, efficient, and humanized treatment experiences. We persist in technological innovation, driving and leading industry progress and development. We adhere to honest business practices and improve corporate governance structures to ensure stable corporate operations. We implement pollution compliance controls and environmental protection measures, enhancing resource utilization efficiency and fostering a green and low-carbon operational model. We uphold a people-oriented development philosophy, embracing talents and fostering a harmonious, stable, and enterprising workplace environment. We actively participate in social welfare undertakings, show concern for vulnerable groups, fully realizing the goodness of business, and aspire to drive the sustainable development of the industry and society through our own long-term growth.

(II) GOVERNANCE STRUCTURE

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

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

The Board has formulated a board diversity policy (the “Board Diversity Policy”) to achieve a sustainable and balanced development of the Group. We recognize the benefits of diversity in Board members and see increasing diversity at the Board level as an essential element in maintaining our competitive advantage. We consider skills and industry experience, region, background, race, gender and other qualities when appointing directors, and leverage diversity to grow our business.

II. About Arrail Group



The Nomination Committee will review annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board to complement the Group's corporate strategy. In relation to reviewing and assessing the Board composition and the nomination of directors, we consider board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and length of services.

The Board's diverse perspectives are closely linked to the business development of the Group. We will continue to base the appointment of Board members on performance, with reference to our Board Diversity Policy. We are committed to promoting gender diversity at all levels of the Group (including but not limited to the Board and management levels). We will continually seek female candidates with extensive skills, experience, and knowledge in various fields. A list of female candidates qualified for Board membership will be set up and reviewed quarterly by the Nomination Committee. Our goal is to achieve 40% female representation on the Board and aim to enhance Board diversity by developing potential successors for the Board.

III. Sustainability Management

(I) STATEMENT OF THE BOARD OF DIRECTORS

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

Oversight of ESG matters: The Board of Directors incorporates ESG matters in the Group's governance structure and participates in the end-to-end ESG governance and disclosure. The Board of Directors is responsible for setting the ESG management agenda, assessing and determining the Group's ESG risks, and evaluating and reviewing the results of ESG work in the previous year.

ESG management principle and strategy: The Group incorporates ESG governance requirements in daily management system, continuously evaluates performance through internal review of completion of ESG practice, prioritizes and manages ESG-related issues and internal and external risks in conjunction with macro policy analysis and communication with stakeholders, and reports to the Board of Directors to clarify ESG governance priorities and management principle and strategy, continuously improving and promoting the implementation and optimization of ESG practice.

Review of ESG targets: The Board of Directors continues to strengthen its supervision and involvement in the Group's ESG governance. For the year 2023/2024, management reported to the Board of Directors on the Group's ESG development direction for the next year and the future, covering review of the achievement of ESG targets in the previous year, the ESG targets for the next phase, opportunities and challenges arising from climate change, and the Group's measures.

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

Board of Directors of Arrail Group Limited

III. Sustainability Management



(II) ESG CONCEPT AND MANAGEMENT

ESG MANAGEMENT STRATEGY

As one of China's leading providers of oral healthcare services, the Group is deeply aware of the pivotal role of Environmental, Social, and Governance (ESG) factors in our long-term development. We strive for high-level ESG performance, integrate ESG principles into the Group's operational and management processes, enhance management efficiency by optimizing internal management processes, ensuring the stability and sustainability of corporate operations, establish close partnerships with stakeholders to jointly explore new paths for sustainable development, pursuing harmonious coexistence among economic, social, and environmental aspects while achieving business objectives.

Core Strategy

Strengthen technological innovation

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

Low-carbon operations

Adhere to a low-carbon and environmentally friendly operational philosophy, reduce carbon emissions, and minimize negative environmental impacts through energy conservation, emission reduction, and resource recycling measures.

Safeguarding employee rights and interests

Attach great importance to employee rights and interests, cultivate a high-quality talent team, provide a favorable working environment and development opportunities, and stimulate employees' creativity and work enthusiasm.

Supply chain collaboration

Strengthen supply chain collaboration, foster mutually beneficial partnerships with suppliers, and promote sustainable and responsible practices throughout the supply chain to ensure quality, efficiency, and ethical standards are upheld.

Improving medical service quality

Continuously improve medical service quality to meet the needs of patients and customers, thereby elevating the brand value and market competitiveness of the enterprise.

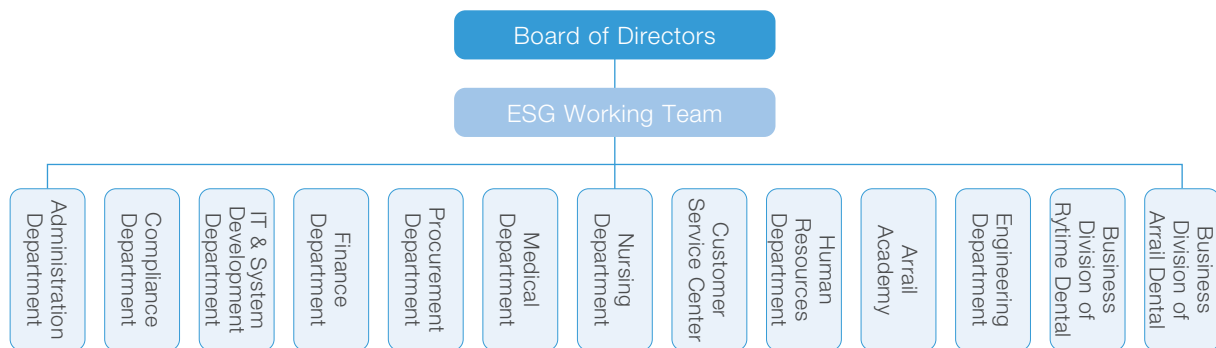
Commitment to social responsibility

As a responsible corporate citizen, actively fulfill social responsibilities, give back to society through charitable initiatives, and strive for the goal of making business a force for good.

III. Sustainability Management

ESG MANAGEMENT STRUCTURE

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



(III) STAKEHOLDER COMMUNICATION

Through regular communication mechanisms, the Group is committed to understanding the opinions and expectations of various stakeholders, engaging in dialogue and responding to their demands, and utilizing the insights gained from these interactions as vital references to guide our ESG efforts. Based on our unique business characteristics and the outcomes of our communication with key stakeholders, we have identified the ESG issues of primary concern to these stakeholders, along with the primary channels for communication and feedback.

Key stakeholders	Key ESG issues of concern	Main communication and feedback channels
Governments and regulatory authorities	Emissions Labor standards Medical service quality Complaint and dispute management Patient rights protection Responsible marketing Anti-corruption	Information disclosure Official correspondence Onsite inspection Regulatory meeting Questionnaire
Shareholders and investors	Medical service quality Climate change Intellectual property protection Patient rights protection Anti-corruption	Shareholders' meeting Information disclosure (annual reports and interim reports, performance announcements, corporate HKEX announcements, investor relations pages, etc.) Questionnaire

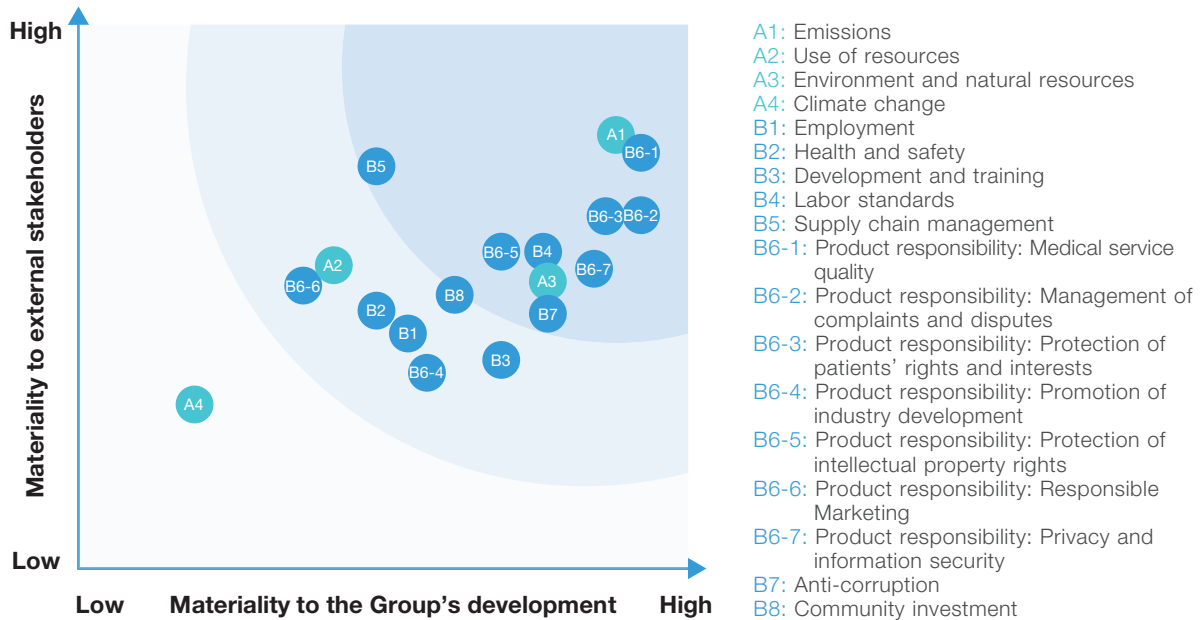
III. Sustainability Management



Key stakeholders	Key ESG issues of concern	Main communication and feedback channels
Employees, directors, and senior management	Medical service quality Complaint and dispute management Patient rights protection Employment Health and safety Development and training Data security	Staff opinion survey Staff internal communication meeting Corporate internal announcements Questionnaire
Patients and consumers	Medical service quality Complaint and dispute management Patient rights protection Community investment	Patient satisfaction survey and follow-up visit Daily operation/communication Complaint and feedback channels Questionnaire
Suppliers and business partners	Supply chain management Medical service quality Complaint and dispute management Patient rights protection Promoting industry development	Supplier management system Industry exchange Questionnaire
Media	Patient rights protection Responsible marketing Community investment Intellectual property protection	Performance release conference Press release communication
Local residents and public welfare organizations	Medical service quality Patient rights protection Responsible marketing Labor standards Community investment	Community activities Public welfare activities Daily operation/communication Questionnaire

(IV) MATERIALITY ANALYSIS

To identify key areas of ESG practices and meet the needs of stakeholders, we obtain stakeholders' opinions and expectations on ESG issues through questionnaires, meetings, in-depth interviews, etc. Based on the feedback, we have identified 18 ESG-related issues and formulated an analysis matrix of ESG material issues for the year 2023/2024.

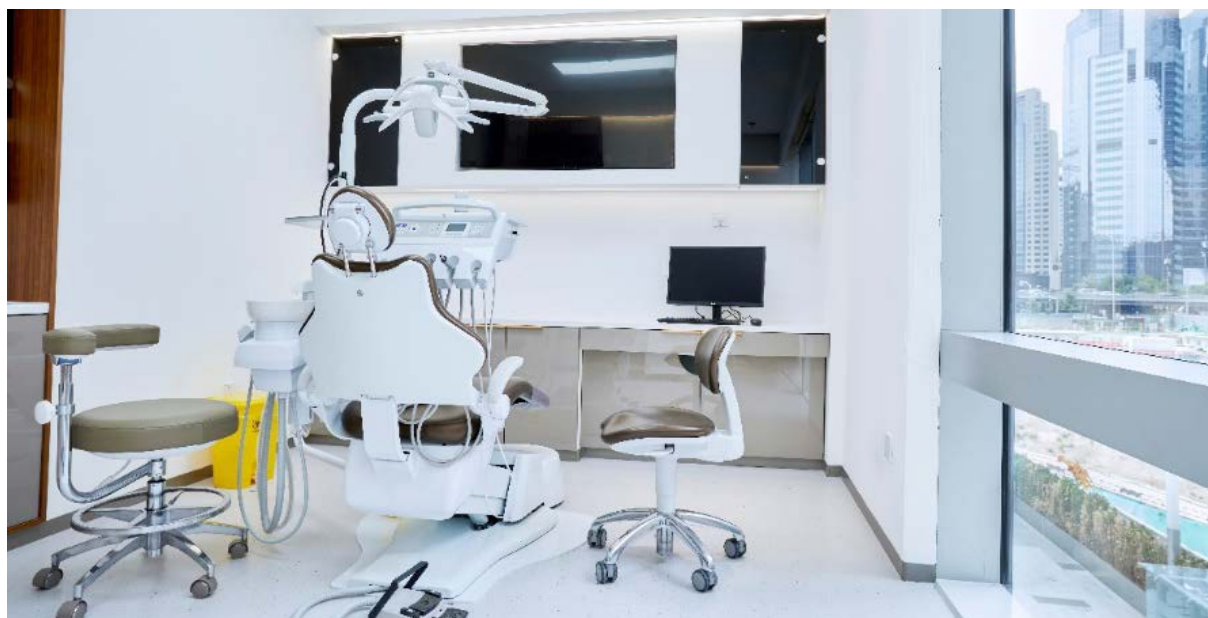


The Group has identified issues with high materiality, which are "A1 Emissions" "B6-1 Product responsibility: Medical service quality" "B6-2 Product responsibility: Management of complaints and disputes" "B6-3 Product responsibility: Protection of patients' rights and interests" "B6-7 Product responsibility: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

IV. Improving Medical Service Quality



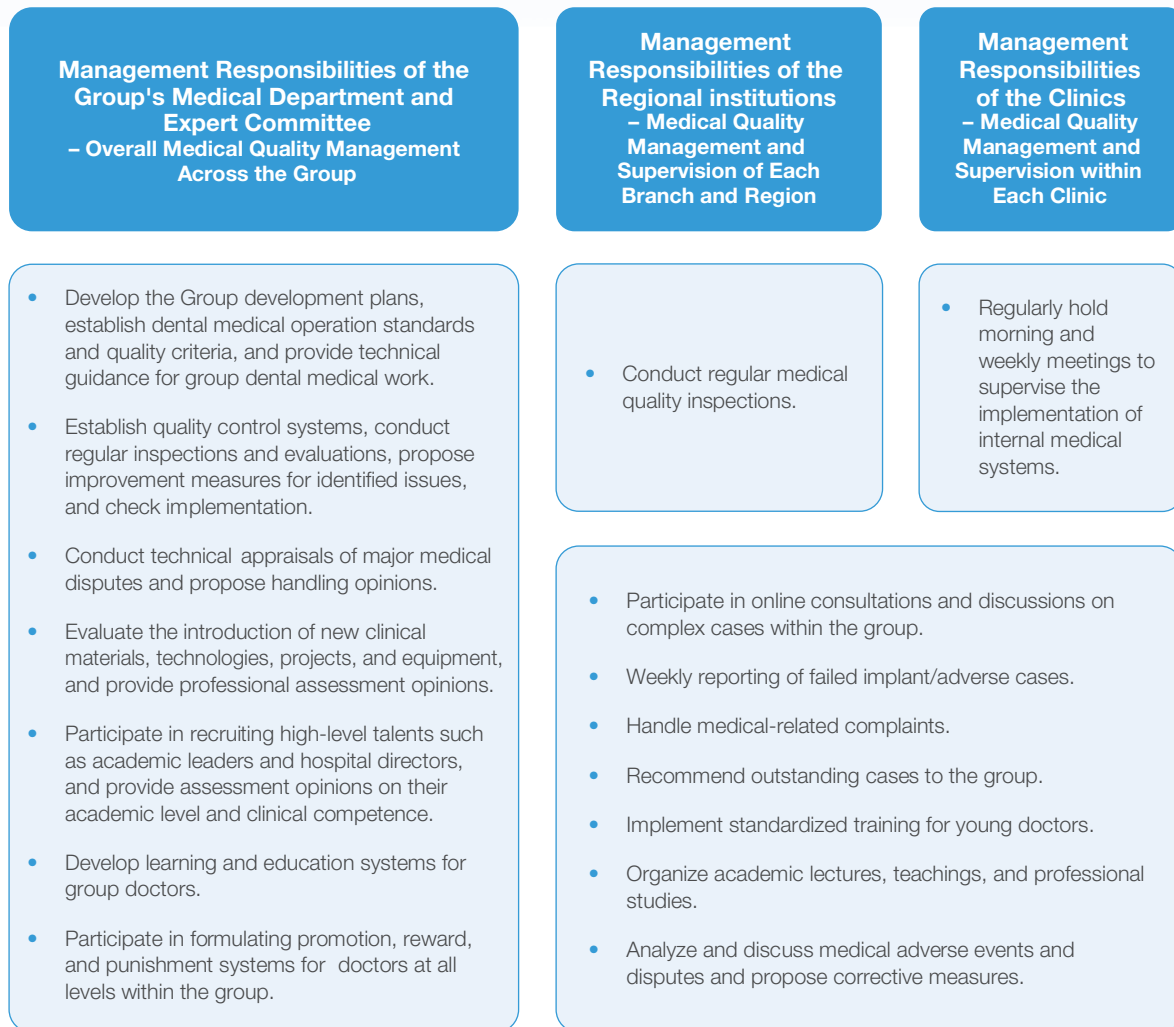
Upholding the mission of “to give each of our patients a healthy and confident smile”, the Group is committed to providing high-quality medical services and pleasant patient experience. We always adhere to high standards of medical service quality, providing customers with high-quality experience. Specifically, we actively solve problems for patients and protect rights and interests of customers; strengthen independent innovation and lead the industry improvements; improve management efficiency via digital means, keep optimizing medical services; and strive to achieve our vision of “becoming a world-leading oral medical group”.



(I) MANAGING MEDICAL QUALITY STANDARDS

The Group, steadfastly adheres to and practices the principle of providing patients with safe, comfortable, and one-stop oral healthcare services, ensuring that every customer receives appropriate treatment. This commitment serves as our driving force to continuously focus on and promote the implementation and development of advanced diagnosis and treatment models and technologies. The Group operates in strict compliance with the Civil Code of the People’s Republic of China, the Administrative Measures for the Clinical Application of Medical Technologies, the Provisions on the Administration of Radiological Diagnosis and Treatment, the Law on Medical Practitioners of the PRC and other laws and regulations. We have formulated regulations and systems including the Code of Practice for Dental Clinical Technologies, the Online Expert Consultation System of Arrail Group, the Expert Committee Duties of Arrail Group and the Regulations on Medical Quality Management. Based on the industry characteristics of oral clinics, we have established clear guidelines for medical quality control compliance and standard operating procedures, formulated a medical service quality management system tailored to our needs, and implemented a three-level management structure comprising the Medical Management Group, branches/regions, and clinics, forming a comprehensive and multi-faceted management and supervision model. Furthermore, we have established expert committees for specialties such as implantology, orthodontics, prosthodontics, pediatric dentistry, endodontics, periodontics, oral and maxillofacial surgery, and general dentistry. These committees, under the leadership of the Group’s Medical Committee, play a crucial role in providing expert guidance to further safeguard medical quality.

IV. Improving Medical Service Quality



The Group regularly conducts quantitative assessments of medical service quality, collecting, organizing, and analyzing relevant data to provide an objective and comprehensive evaluation. This serves as a scientific basis for further optimizing medical service quality.

IV. Improving Medical Service Quality



Quantitative Assessment of Medical Service Quality

- Select 12 indicators most closely related to the fundamental quality of oral clinical care, conduct monthly assessments and notifications to ensure that over 80% of institutions scored above 90 points.
- Monthly inspection, analysis, and notification of early implant failure cases, with the goal of maintaining an early implant failure rate below 0.5% for the year, which is a leading performance in the industry.

To further enhance medical quality management, the Group implements medical red line management, consultations for complex cases, specialty case grading and doctor grading, etc., to ensure medical quality and provide professional medical services to patients.

MEDICAL RED LINE MANAGEMENT SYSTEM

Medical red line management is an important process for the Group to prevent medical risks, standardize medical procedures, and ensure medical service quality. This system standardizes the processes of medical record writing and data collection during treatment, ensuring that a unified standard is used to collect treatment content for various medical projects. The Group guarantees the implementation of this system through a three-level inspection system (clinic self-inspection, regional review, and group spot checks), with monthly publication of inspection results to facilitate timely improvements by clinics and achieve quality enhancement and supervision throughout the diagnosis and treatment process. To ensure the completeness of patient data, the system notifies the doctors of the required annexation to the medical records, such as X-ray and CT requirements, informed consent requirements and oral photography requirements, attaching importance to the necessity of doctors' preoperative notification and patients' right to informed consent. In the event of mistakes and omissions in the medical records, the medical and compliance departments will promptly inform the dentists and the mandatory "pre-operation verification" will again ask the dentist to confirm the nature and method of the treatment before commencing the operation, thus ensuring the safety and compliance of treatment, as well as providing a basis for subsequent diagnosis and achieving medical quality monitoring and medical error prevention.

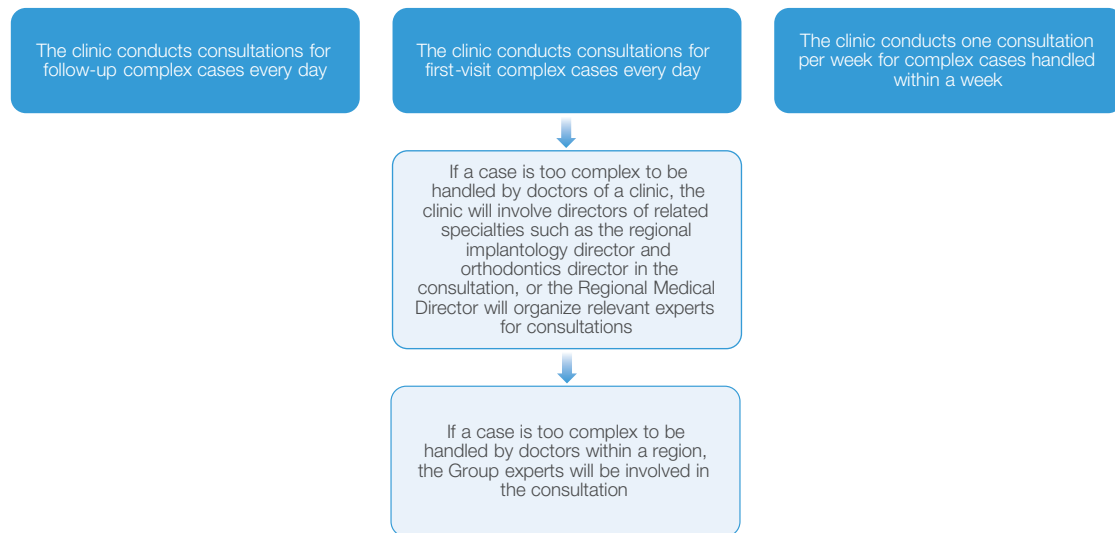
To continuously improve medical quality, the Group has introduced additional quality inspection items for specialized subdivisions within oral medicine, establishing a stricter "medical quality coefficient" inspection system. This involves monthly inspections at the clinic, regional, and group levels, with cross-clinic reviews conducted by regions. The scores resulting from these inspections will be used as assessment criteria for doctors, clinic directors, and regional hospital directors, thereby strengthening the tracking and monitoring of medical quality and significantly reducing the occurrence of medical risks.

IV. Improving Medical Service Quality

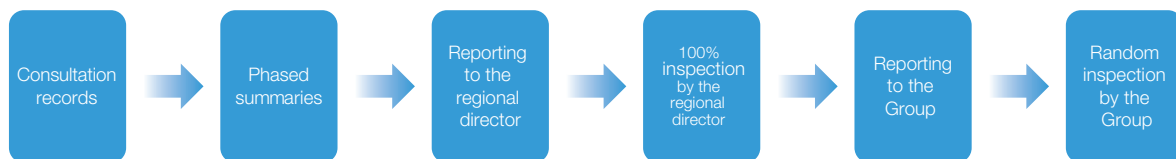
CONSULTATION SYSTEM FOR COMPLEX CASES

To compensate for the shortcomings of dental clinics are generally small with a limited number of doctors, and difficulties in having a complete range of specialists across disciplines, while continuously improving medical quality and ensuring high-quality oral healthcare for every client, the Group requires all medical institutions to achieve 100% consultation for complex cases.

The consultation process is as follows:



The supervision process is as follows:



GRADING SYSTEM FOR SPECIALTY CASES AND DOCTORS

The Group grades doctors by seniority, and specialty cases, by complexity, so that doctors are assigned based on the diagnosis and treatment needs of cases at a corresponding level. If the complexity of the case is beyond the doctor's level, the Group will arrange a consultation with senior doctors to ensure precise, thorough, and efficient medical services.

IV. Improving Medical Service Quality



(II) ENSURING MEDICAL SAFETY

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

DRUG SAFETY MANAGEMENT MEASURES

To ensure drug safety and mitigate medication risks, the Group has set up relevant organs to manage narcotic drugs and psychotropic drugs, and introduced a “five special” system (namely adopting managed by dedicated person, special lockers, special account books, special prescriptions and special registers). These organs involve departments such as medical management, pharmacy, nursing, and security, and are equipped with responsible and professional staff in the daily management of narcotic drugs and Class I psychotropic drugs. Based on the specific process, a three-tier model has been adopted to manage narcotic drugs and psychotropic drugs, that is, the management of warehouse entry acceptance, storage and delivery, pharmacy requisition and dispensing, and ward base number. We establish designated areas for management and keep records, strictly adhering to prescription use and conducting regular inventories to tightly control procurement, requisition, and distribution processes, thereby ensuring comprehensive medication safety. In addition, the regional security departments are responsible for the safety inspection of drug storage facilities and equipment, night patrol and security at hospitals, and handling problems and events relating to the use and management of narcotic drugs and psychotropic drugs, such as damage reporting, loss, and theft, forming a closed-loop management throughout the entire process.

The Group prohibits the use of unregistered drugs and medical devices, those without qualification certificates, as well as expired, ineffective, or obsolete ones. For imported drugs and medical devices, Chinese-language instructions and labels are required. In the procurement of drugs and devices, the Group follows the *Medicine and Equipment Management System*, which mandates that relevant personnel must inspect and verify items such as the product name, specifications, quantity, approval number, production batch number, manufacturer’s registered trademark, expiration date, appearance quality, packaging condition, and purchase price. Only when all items are deemed qualified can the products be accepted into inventory. Products that do not meet the specified requirements cannot be purchased or used. Additionally, during the storage of drugs, necessary measures such as refrigeration, frost protection, moisture control, pest prevention, and rodent control must be taken to prevent drug deterioration. Relevant personnel should conduct regular inspections and inventory counts to ensure the safe storage and use of drugs and devices.

IV. Improving Medical Service Quality

PROACTIVE REPORTING MECHANISM FOR ADVERSE EVENTS

The Group has established and improved a proactive reporting mechanism for adverse events, implemented a non-punitive system, adhered to the principle of confidentiality, and encouraged medical staff to actively report adverse events to ensure medical safety. Additionally, the Group conducts quarterly training sessions for all doctors on adverse events, sharing preventive measures and continuously following up on the progress of problem resolution to achieve closed-loop management and promote continuous improvement in medical quality.

Adverse events are categorized into four levels based on their severity. The reporting process for Level I and Level II cases, which fall under the mandatory reporting category, is as follows:



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



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

IV. Improving Medical Service Quality



(III) ENHANCING PATIENT EXPERIENCE

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

Sign the Informed Consent Form to Ensure the Right to Know About Prices

The Group has displayed the outpatient price list at a conspicuous position in the clinic hall as required by the health inspection bureau, enabling patients to be fully aware of the price immediately before undergoing surgical treatment. Before any surgeries, all patients must sign an informed consent forms (ICF) according to red line inspection requirements. In the ICF, surgical details, including the price are introduced to dual safeguard the patients' right to information.

SERVICE QUALITY CONTROL

The Group established a customer service center with a dedicated quality control team and have formulated system documents such as the *Customer Service Center Quality Control Standards*, the *Arrail Call-Centre-Consultation and the Appointment Process* and the *AD-C-240502 Arrail Group Complaint Reduction Management Measures*. We promptly respond to customer inquiries and feedback, and improve and monitor customer service quality management to improve the patient experience from all aspects. Furthermore, we adopt customer relationship management (CRM) system and develop a comprehensive membership program to offer a variety of benefits and exclusive member events to our patient, enhancing the overall patient experience.

The system automatically sends satisfaction survey message to each patient after medical treatment and sends automatic reminders for messages with scores below 5, and the outpatient department will promptly conduct follow-up visits to promptly understand and resolve issues. We will then follow up in time and conduct satisfaction statistics, to further optimize the service process. Meanwhile, each region will set up a Chat Group for customer satisfaction and complaint communication to ensure that customer complaints are learned and solved at the first instance. We analyze customer complaints and share excellent practices at fixed period, and record relevant cases into the service case library, organized for all staff to learn together, and serve as a valuable source of experience and lessons. Furthermore, the Group employs third-party research company to act as mysterious customers every each quarter, to supervise the customer service quality from all aspects.

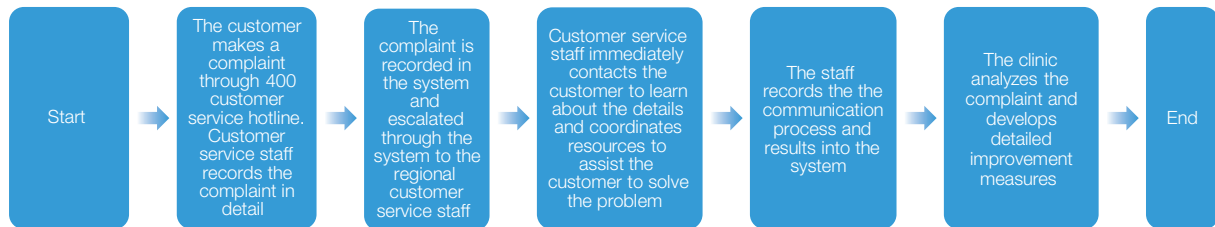
IV. Improving Medical Service Quality

Establishing a Patient Relationship Management System to Enhance the Healthcare Experience

The Group has established a comprehensive Patient Relationship Management System that utilizes software solutions to handle patient appointments and registrations. New patients can fill out a comprehensive medical history questionnaire through the software, which is then uploaded to the cloud-based system. This questionnaire automatically syncs with other relevant information such as test results, treatment plans, auxiliary examinations, and consent forms, assisting dentists in determining the appropriate treatment plan. Powered by digital capabilities, we can analyze patients' medical histories and maintain a streamlined data flow of patient visits. We also utilize tools to send out appointment reminders for regular care (such as teeth cleaning) and electronic notifications about services, further enhancing the patient experience.

PATIENT COMPLAINT HANDLING

The Group receives customer inquiries and complaints through 400 customer service hotline, official online services and WeChat Official Account. In response to possible patient complaints and medical disputes, the Group has established internal systems such as the *Arrail Group Medical Error and Malpractice Accountability System*, the *Emergency Customer Complaint Escalation Service Process*, and the *China Customer Service Center Complaint Handling Process and Rules*. Public opinion monitoring personnel will solve customer complaints according to the *Complaint Acceptance and Handling Process of Arrail Group* at the first instance. All complaints and their handling processes will be recorded in the Customer Complaint Summary Table, allowing us to continuously improve service quality and enhance customer satisfaction.



Customer service center complaint handling process

The Group's customer complaint target is to be maintained below 0.02%. For the year 2023/2024, we received a total of 132 customer complaints through the 400 hotline channel, accounting for 0.0069% of the total annual customer volume. We achieved a 100% overall complaint resolution rate.

IV. Improving Medical Service Quality



(IV) LEADING THE DEVELOPMENT OF THE INDUSTRY

The Group has standardized operating procedures systems and robust digital infrastructure, and works with partners to continuously improve our independent innovation capabilities, ensuring to make breakthroughs in service quality, patient experience, and operational efficiency and leading the development of the industry.

UPGRADING DIGITAL MANAGEMENT

We continue to accumulate and analyze digital information from our day-by-day business activities, explore upgrades to our digital infrastructure, constantly seek ways to embrace digitalization into our dental network, to further improve our operational knowledge and efficiency, reduce operational risks, and improve service quality. For the year 2023/2024, the Group launched the SCRM system, Management Dashboard, and AI-assisted Knowledge Assistant to achieve quantification of customer value rating, optimization of service effectiveness evaluation, refined iteration of operational strategies, and efficiency enhancement with the assistance of productivity tools.

Business Management Tool – SCRM System

The SCRM system establishes a comprehensive customer relationship management platform for the Group through personalized services, social networking, and enhanced customer engagement. It transforms “vague” service processes into “clear” and visible ones. The specific roles and values of the SCRM system include:

- Comprehensive User Insights: Integrates multi-channel data to construct detailed user personas.
- Refined Customer Management: Implements customer segmentation and develops different management approaches for various customer types.
- Personalized Experience: Utilizes segmentation and tagging systems to provide customized services to different customer groups.
- Enhanced Customer Engagement: Encourages customer participation and feedback to directly understand customer needs and improve service quality.
- Optimized Purchase Process: Achieves seamless online-offline integration, providing transparent and comprehensive product and service information.
- Cost-Effectiveness Optimization: Delivers high-quality, efficient full-lifecycle services to customers while reducing costs through effective customer relationship management.

IV. Improving Medical Service Quality

Operational Data Management – Management Dashboard

Based on the continuous improvement of the Group's data mid-tail platform, the Management Dashboard integrates standardized data, cross-system data, and optimizes data entry. It transforms complex data into easily understandable and operable information, helping the Group improve decision-making quality and optimize management processes. The specific roles and values of the Management Dashboard include:

- **Real-time Monitoring:** Displays key business indicators in real-time to quickly understand business conditions and identify issues promptly.
- **Data Integration:** Provides a unified view by integrating data from different sources and types, simplifying data access.
- **Decision Support:** Aids decision-makers in quickly comprehending data meanings and making informed decisions through intuitive charts and metrics.
- **Efficiency Enhancement:** Reduces time spent searching and analyzing data by centrally displaying key information, improving work efficiency.
- **Risk Management:** Monitors key risk indicators to promptly identify potential risks and take preventive measures.
- **Performance Optimization:** Displays performance metrics of business processes and operations, identifying bottlenecks and optimizing processes.
- **Customer Insights:** Provides insights into customer behavior and preferences to better meet customer needs.
- **Enhanced Transparency:** Increases the transparency of business operations, enabling team members to clearly understand business performance.
- **Mobile Access:** Supports mobile device access, enabling decision-makers to view key data anytime, anywhere.

IV. Improving Medical Service Quality



STRENGTHENING INDEPENDENT INNOVATION

In addition to improving our health care and service quality, we are committed to working with our suppliers and other partners to enhance our independent innovation capabilities and respond to the “painless, minimally invasive and precise” trend of dental clinical technologies. We adopt a wide range of digital technologies and micro-technique in various dental clinical areas, including intraoral laser scanning (iTero) and digital orthodontics, digital guide plate and navigation technology for oral implantology, chairside computer-aided design and manufacturing (CAD/CAM) digital restoration technology, root canal micro-technique and tooth preparation micro-technique. The Group also actively participates in industry exchanges & seminars, carries out online/offline public welfare livestreaming, and is committed to promoting the Group’s innovative technologies across the industry, constantly improving industrial norms, leading the development of the industry and demonstrating corporate responsibility.

Case: Digital Surgical Guide for Safe, Efficient, and Precise Implantation

Unlike traditional oral implant surgery, which relies entirely on the doctor’s experience and sense of touch to determine the position and direction of the implant, digital implant guide technology uses the patient’s oral 3D scanning data to design the implantation plan on the computer, to create a personalized digital implant guide, which significantly reduces the risk of error in implantation surgery. During the surgery, the surgeon will operate with reference to the digital guide plate, enabling a more precise implantation of the implant in the ideal position, greatly improving the accuracy and safety of the implant surgery, and at the same time, shortening the operation time and reducing the trauma.

EMPOWERING THE INDUSTRY DEVELOPMENT

The Group is dedicated to empowering more dentists to continuously improve people’s oral health and contribute to the sustainable development of the industry. By establishing an online knowledge-sharing and teaching platform, we organize academic exchange forums open to the entire industry and society, enabling dentists nationwide to access our technical knowledge and skills training resources. In the year 2023/2024, we continue to collaborate with “FRIDAY,” the nation’s first digitalized oral healthcare platform, leveraging the unique strengths of Arrail Group in medical technology, customer service, and operational management to help oral healthcare institutions break through development bottlenecks. Furthermore, we actively engage in digital explorations with universities, deeply empowering the oral healthcare industry, and jointly promoting its development and progress.

IV. Improving Medical Service Quality

Case: Academic Symposium on Multidisciplinary Collaborative Treatment for Complex Cases

To further advance the development and innovation of the “Multidisciplinary Team (MDT)” approach, and to optimize the treatment efficiency and patient experience for complex cases, the Group hosted the “Collaborative Innovation, Scaling New Heights – 2023 Arrail Group General Dentistry and Multidisciplinary Collaborative Treatment Symposium for Complex Cases.” Through thematic presentations, case competitions, and expert commentary, participants shared, exchanged, and explored the application, development, and innovation of MDT in the treatment of complex cases. This symposium attracted industry professionals, including over a thousand medical staff from the Arrail Group, fostering multidisciplinary communication and cooperation, enhancing mutual understanding and interaction, uniting industry forces, and promoting resource sharing within the oral healthcare industry.



Academic Symposium on Multidisciplinary Collaborative Treatment for Complex Cases

IV. Improving Medical Service Quality



Case: Embarking on a New Chapter of School-Enterprise Cooperation with Peking University Guanghua School of Management

As an outstanding representative in the field of medical and oral healthcare services, the Group was selected as one of the seven partnering enterprises for the Integrated MBA Practice Project of Peking University Guanghua School of Management. Over a period of six months, students delved into user portraits and digital marketing, gaining firsthand insights into the challenges of enterprise digitalization and recognizing the significance and necessity of market leadership and digital transformation. Through this process, we have initially built a bridge between academia and society, theory and practice, nurturing a cohort of aspiring and capable future leaders who will contribute to the growth and development of the industry.



Participating in the Integrated MBA Practice Project of Peking University
Guanghua School of Management

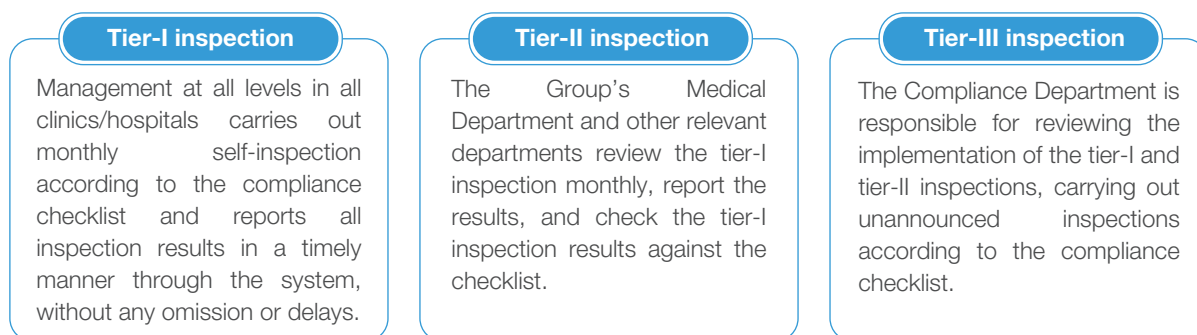
V. Strengthening Management and Operation Compliance

Centering on the management foundation of legal and compliance operation, we continue to strengthen risk control and internal system construction, enhance privacy protection and information security management, carry out responsible marketing and procurement, and strive to build an efficient, transparent and fair operating environment, laying a solid foundation for achieving the corporate vision of “to become a world-leading dental service group”.

(I) COMPLIANCE AND RISK MANAGEMENT

In strict compliance with the *Administrative Measures on Medical Institutions*, the *Administrative Measures for the Examination of Medical Institutions*, the *Law on the Promotion of Basic Medical Care, Hygiene and Health* and other laws & regulations relating to the operation of medical institutions, the Group formulates internal systems such as the *Arrail Administrative Measures for Three-tier Inspection of Compliance Checklist*, the *Medical Point Inspection Manual of the Compliance Department* and the *Guidelines for Self-Inspection of Medical Institutions*, the *Policy on Reporting External Inspection Opinions to Compliance Department within 24 Hours* to keep improving the construction of the compliance operation system.

The Group adopts multi-compliance assurance mechanisms to fully avoid compliance risks, such as a three-tier inspection policy of “monthly self-inspection by management at all levels in all clinics/hospitals + audit by functional departments of the Group + unannounced inspections by the Compliance Department”. The Board of Directors is responsible for approving and reviewing the above inspections and assigning specialized staff to monitor the implementation of compliance measures.



For the year 2023/2024, 60 clinics and hospitals of the Group underwent comprehensive three-tier unannounced compliance inspection, and all 123 clinics and hospitals received a special inspection. We fully seize every opportunity for compliance inspection and conduct on-site compliance operation learning. Meanwhile, we regularly provide directors, senior management with biannual training on risk management, and provide employees with regular training and updates on laws & regulations related to operation compliance, to identify concerns and issues related to any potential non-compliance. Moreover, we intensify the standardization of risk control policies and give full play to assessment and monitoring of significant risks, to effectively improve the ability of law-based operation and risk-resistance.

V. Strengthening Management and Operation Compliance



(II) PRIVACY PROTECTION AND INFORMATION SECURITY

In the digital era, the commitment of medical enterprises to the protection of patient privacy and information security is not only a legal requirement, but also the cornerstone of corporate reputation and patient trust. The Group continues to improve its privacy and information security management and protection system and builds a reasonable and effective internal data governance system and process standardization, so that patient privacy data and information security can be effectively safeguarded.

INFORMATION SECURITY MANAGEMENT SYSTEM

The Group strictly sticks to the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Electronic Signature* and other external laws & regulations related to information security, and formulate a series of internal security policies covering all employees such as the *IT Code of Conduct for Employees of Arrail Group*, constructing an information security management system.

The Group has established a multi-level information security management structure, with the Board of Directors responsible for guiding the formulation of strategies and overseeing information security, the senior management responsible for organizing implementation and planning, and the Information Security Management Committee, which is subordinate to the senior management, fully managing data security and compliance. The Information Security Department is responsible for daily operations and technical support to ensure the security and compliance of information.

The Board of Directors

- Be responsible for formulating guiding strategies to ensure that information security is integrated into the Group's development strategy.
- Supervise the identification, assessment, and prevention of significant information security risks.
- Participate in the emergency response decision-making for critical information security incidents.
- Regularly receive information security compliance reports.
- Ensure that the Group complies with relevant laws, regulations, and industry standards.

V. Strengthening Management and Operation Compliance



When encountering significant information security matters, the information security department of the Group reports to the Information Security Management Committee, which composed of heads of several key departments of the Group. After deliberation by the Committee, the matter is submitted to the Board of Directors for final decision-making, forming a clear reporting path from the grass-roots implementation to the highest decision-making level to ensure timely response and resolution of information security issues. The Group has formulated an information security emergency response plan and remedial measures. When an information security incident occurs, the Group will take disposal measures within 48 hours in accordance with the emergency plan to prevent the harm from spreading, record the incident details, retain relevant evidence, and report to the relevant authorities. At the same time, we will quickly establish temporary business processing capabilities based on actual conditions and implement recovery operations to ensure stable business operations.

V. Strengthening Management and Operation Compliance



In addition, the Group has set up a dedicated team, responsible for the security management of office areas and the “5i5ya” system. Key indicators related to data security and network security (such as the success rate of data backup and recovery, the effectiveness evaluation of data access control, the rapid response time to network attacks, and the achievement of compliance and audit standards) have been integrated into the performance evaluation system for IT technicians which is also included in the performance evaluation system. To enhance security management and collect information on potential threats, the Group has launched a public mailbox specifically for receiving various types of spam, phishing emails, and other security-related feedback. This allows clinics and employees in different regions to provide information security clues via email, enabling the Group to promptly take security reinforcement measures to prevent potential threats.

CUSTOMER DATA PRIVACY PROTECTION

In terms of customer data privacy protection, the Group requires customers to sign the *Notice of Authorization of Personal Information* when deploying digital support equipment systems in various medical institutions, so as to ensure that each customer is fully aware of how their personal information will be used when providing such information and voluntarily authorizes us to handle it in a legal and compliant manner, thereby establishing a transparent and mutually trustworthy information processing mechanism. We have established a standardized management process for account permissions, and during the system change process verification, we have predicted the potential information disclosure risks in the original system, and modified the information presentation format that may disclose user privacy, to gradually reduce potential privacy disclosure and information security risks.

Reasonable use of customer data to effectively protect customer privacy

The Group publishes the *Notice of Authorization of Personal Information* to give customers the right to control their personal information, to provide patients with the means to access, correct or supplement, or delete their personal information, and to ensure that customers are able to exercise their privacy rights. It also describes the collection, sharing, transfer, and specific uses of customer information, including but not limited to:

- Personal information of patients will not be provided to third parties except for the purpose of providing medical services and fulfilling the necessary purposes of the contract, including the sharing of information required for appointment confirmation, feedback processing, and the implementation of medical programs.
- Personal information of patients is utilized to analyze information such as their health status, enabling more precise diagnosis of their conditions and the formulation of personalized treatment plans, ultimately enhancing treatment outcomes and patient satisfaction.
- Personal information of patients is utilized to support academic research after de-identification, so as to promote the optimization of nursing coordination and the progress of population and public health.
- Personal information of patients is utilized to be integrated for identity verification, allowing for the assessment of account and transaction risks, and providing security for the patient’s personal information.

V. Strengthening Management and Operation Compliance

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

I Data encryption

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

I Data system upgrade

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

I Restricted data access

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

I Data back-up

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

I Additional preventive measures

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

In strict compliance with the *Methods for Identifying the Illegal Collection and Use of Personal Information by Apps*, the *Information security technology – Personal information security specification* and other relevant rules and regulations, we have developed the “5i5ya” client applet, in which various privacy policies and information security management measures are strictly implemented. As the digitalization of patient diagnosis and treatment and group operations continues to strengthen, we remain committed to safeguarding customer privacy. Every year, we engage a third-party evaluation agency to conduct information security level protection evaluation for our “5i5ya” system, organize penetration testing, conduct vulnerability analysis of various functional modules of the system through simulated hacker attacks, issue evaluation reports, and carry out rectification work based on the identified vulnerabilities to minimize information security risks.

V. Strengthening Management and Operation Compliance



In addition, the Group regularly evaluates its data protection and security measures in accordance with internationally recognized standards. The Group has obtained certifications of ISO27001 Information Security Management System, ISO27701 Privacy Information Management System and ISO22301 Business Continuity Management System for its operation management SaaS system and has passed the Graded Information System Security Protection Level III certification, covering the main business of the Group, further enhancing the capability and vision for the construction of enterprise information security architecture.

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

INFORMATION SECURITY AWARENESS BUILDING

Employee training is one of the important ways for the Group to strengthen information and data security. We send spam alert messages, information security training documents and video online teaching materials to all employees through diversified channels and methods, such as Arrail Academy, enterprise WeChat groups and all-staff emails, to widely publicize the knowledge of information security. We also require all employees to complete network and information security-related training courses upon joining the Group, so as to cultivate employees' awareness of consciously complying with the information security regulations in their daily work, and to effectively prevent all kinds of information security risks.

(III) RESPONSIBLE MARKETING

The Group is fully aware that every marketing decision carries a respect and commitment to life and health. In terms of advertising and publicity management, we strictly comply with the *Advertisement Law of the People's Republic of China*, the *Measures for the Administration of Medical Advertisements*, and the *Interim Measures for the Administration of Internet Advertisements*, and have developed the *Practice Guide for Advertising Activities in the New Environment*, the *Guidelines for the Specifications and Regulations on the Use of Advertisements/Materials/VI of Arrail Group*, the *Administrative Measures for the Review of External Publicity Materials of Arrail Group* and other internal systems, so as to ensure the authenticity and legitimacy of external publicity materials, ensuring that accurate medical information is conveyed to the public without misleading, jointly upholding the credibility and positive image of the medical industry.

In the operation of our online store, we guarantee that all promotional information is provided with a professional and honest attitude after obtaining approval and filing for medical advertisements. We strive to offer high-quality oral healthcare services promotion to our patients, ensuring that the products and services displayed in our stores are true, accurate, and with transparent and reasonable pricing. We resolutely oppose exaggeration, falsification, and fraud in marketing, advertising, and sales activities. For the year 2022/2023, we conducted a special inspection on the validity period of advertising review, involving 123 institutions of the Group, and results were all compliant.

V. Strengthening Management and Operation Compliance

In terms of intellectual property management, we strictly abide by the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, the *Regulations on the Protection of Computer Software* and other laws & regulations related to intellectual property. By applying for software copyright certificates, signing R&D non-disclosure agreements and using other means, the Group effectively protects its own intellectual property rights and ensures that it does not infringe the intellectual property rights of others.

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

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

(IV) SUSTAINABLE SUPPLY CHAIN

The Group is committed to working hand-in-hand with our suppliers to support a healthier community and to promote the sustainable development of the entire supply chain. We strictly comply with the requirements of the *Law of the People's Republic of China on Tenders and Bids*, the *Regulations on the Supervision and Administration of Medical Devices* and the *Quality Management Standards for Medical Device Operation*, formulate the supplier quality management standards, define the graded supplier management system, and put forward corresponding management standards for the access, evaluation and improvement of suppliers.

SUPPLIER MANAGEMENT

Our suppliers mainly include suppliers of human resources services, dental equipment, consumables, and dental supplies (including medicines, dentures, surgical materials, dental instruments, and consumables). The procurement department works closely with various business departments to jointly identify, contact, and manage suppliers in order to achieve sustainable development goals. To ensure the stability of supply chain and strengthen supply chain management, we adopt centralized procurement and a platform-based and digital management system. In daily procurement, local suppliers are given priority.

Supplier Access

The Group has formulated a strict access mechanism for new suppliers, clarified the criteria for supplier selection, access, and evaluation. In addition, we have developed a supplier selection matrix, which evaluates suppliers comprehensively from the 4 dimensions of cost, technical level, delivery cycle and after-sales services, making sure to choose the most appropriate suppliers. At the same time, in the process of supplier access and evaluation, we fully consider their environmental and social risks, check their materials for environmental protection, safety and nontoxicity, and strictly investigate the employment of child labor, safety management of production sites, and control over production emissions and important processes. The suppliers that do not meet the requirements will be rejected.

V. Strengthening Management and Operation Compliance



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

- Invite doctors from three different cities to conduct product trials, with detailed records of their usage experiences and feedback, forming trial reports.
- The Medical Department of the Group meticulously evaluates the trial reports to ensure that the product's performance, safety, and effectiveness are fully validated.
- For key products, we maintain a 100% inspection rate, leaving no detail that may impact product quality unchecked.
- Only after a product has passed the strict review by the Medical Department can it be incorporated into our procurement system, becoming a premium choice for our patients.

Supplier Evaluation

When signing contracts with suppliers, we clearly stipulate in the terms and conditions the requirements for occupational health and safety, prevention of discrimination and harassment, and guarantees of good working conditions for suppliers. For suppliers in the pool, we implement a classified management and assessment system and focus on Class A suppliers, including centralized purchase suppliers and top 20 suppliers in terms of purchase amounts. We classify and assess suppliers regularly by seven categories of implantology, orthodontics, periosteum/bone meal, bracket, image, dental chair and oral scan, and force timely improvement requirements for deficiencies in their quality, compliance, environmental protection, safety, etc. We will remove the suppliers that still fail to meet the standards after 6 consecutive months of improvement from the list of suppliers. At the same time, we conduct annual risk assessments for existing suppliers, and consider taking measures such as observation, reduction of orders and replacement for suppliers who have product recalls, medical safety accidents, environmental accidents, and impairment of employees' rights and interests.

V. Strengthening Management and Operation Compliance

KPI: SUPPLIERS

By geographical region ¹	Number of suppliers (the year 2023/2024)
China	15
Europe	14
The United States	6
South Korea	3
By procurement category	Number of suppliers (the year 2023/2024)
Tier-1 suppliers	30
Among them: significant suppliers	20
% of total spend on significant suppliers in Tier-1	91%
Non Tier-1 suppliers	8
Among them: significant suppliers	0
Total number of significant suppliers (Tier-1 and non Tier-1)	20
Supplier assessment, corrective and capacity building	Number of suppliers (the year 2023/2024)
Total number of significant suppliers assessed	20
% of significant suppliers assessed	100%
Number of suppliers assessed with substantial actual/potential negative impacts	0
Among them: % of significant suppliers with substantial actual/potential negative impacts with agreed corrective action/improvement plan	0%
Among them: Number of significant suppliers with substantial actual/potential negative impacts that were terminated ²	0
Total number of significant suppliers supported by the Group's capacity building projects	3
% of significant suppliers supported by the Group's capacity building projects	15%

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

² In 2023, we identified 6 non-critical suppliers with significant actual or potential negative ESG impacts and terminated our cooperation with them.

V. Strengthening Management and Operation Compliance



RESPONSIBLE PROCUREMENT

The Group takes responsible procurement as a key part of building a sustainable supply chain. In practice, we adhere to the core elements of stability, greenness, and integrity of the supply chain, and strive to build a sustainable supply chain by establishing long-term and stable cooperative relations and strengthening internal supervision.

Ensure Stable Supply

- Simplifying shipping and procurement procedures: We require our denture processing factories to establish new factories near our clinics, and implant suppliers are required to provide consignment services. Through these efforts, we simplify the procurement procedures and transportation processes, striving to minimize the impact of carbon emissions on the environment during the procurement process, shortening transportation cycles and supply times, and enhancing the resilience and rapid response capabilities of our supply chain system.
- Optimizing supply chain structure: To ensure the stable supply of strategic resources, we continuously optimize our supply chain structure by diversifying our supplier. By implementing a multi-channel strategy, we reduce our reliance on any single supplier, thereby enhancing the stability of our supply chain.
- Addressing geopolitical risks: When confronted with countries and regions where there is a risk of political conflict, we keenly identify the potential impact that geopolitical risks may have on our supply chain. We adopt proactive communication strategies, work closely with key suppliers, jointly assess risks, and formulate corresponding contingency plans to ensure the stability of our supply chain.

Build a Green Supply Chain

- Encouraging the provision of eco-friendly products: We actively encourage and support our suppliers to offer environmentally friendly products, such as BPA-free braces, and ensure that the raw materials used and final products delivered meet stringent environmental standards.
- Pushing for Process Improvements: We urge our suppliers to proactively enhance their production processes, aiming to significantly reduce carbon emissions through measures like minimizing packaging materials. This approach contributes to a more sustainable and eco-conscious supply chain.
- Requiring to use environmentally friendly remodeling materials: we also have clear environmental requirements for the decoration materials of newly opened stores. To be specific, we require to use materials with an environmental rating of E0 for ceiling blockboard, high-density board and cabinet substrate, and conduct sampling inspection at the proportion of 10%. For fireproof glass partition, we require suppliers to provide the certification report of fire protection grade A and China Certification Center for Fire Products Ministry of Public Security (CCCF) certification.

V. Strengthening Management and Operation Compliance

Foster Integrity Supply Chain

- Compliance with laws and regulations: We require that all suppliers strictly comply with applicable laws and regulations, and on this basis, we have formulated the *Letter of Commitment to Integrity of Suppliers and Construction Parties*, which requires suppliers to comply with anti-commercial bribery and other codes of business ethical, and to engage in legitimate business dealings.
 - Prohibition of Corrupt Behavior: We require that during the performance of the contract, the suppliers shall not give any kickbacks, commissions, etc. to clients or its procurement staff in any name.
 - Rejection of unfair means: We require the suppliers to commit to not resorting to any unfair means, such as bribery, fraud, etc., to obtain business opportunities or commercial benefits.
-

Ensure Efficient Supply

With the aid of the “Friday” supply chain platform, the Group provides one-stop centralized procurement services for medical materials to small clinics. By collectively purchasing medical materials such as implants and orthodontic products, we ensure the quality and stable supply of these materials. At the same time, the “Friday” purchase-sale-inventory and consignment system of the Group offers clinics a brand-new solution for material management, making the process more efficient and transparent, reducing inventory backlog and waste, and optimizing the response speed and flexibility of the supply chain, ultimately enhancing the efficiency of supply chain management.

V. Strengthening Management and Operation Compliance



(V) PRACTICE OF INTEGRITY

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

The Group attaches great importance to the professional ethics and code of conduct of its employees, and has clearly stipulated the code of conduct and compliance requirements for its employees in the *Employee Manual of Arrail Group* and the *Arrail Integrity Convention*, clearly listing the provisions on violation of discipline and requiring its employees to resolutely carry out the anti-corruption and anti-bribery principles in their business activities, and strictly prohibited from seeking or accepting rebates and other people's property by taking advantage of their positions, so as to avoid any form of transfer of benefits and corrupt practices. Meanwhile, in order to prevent conflict of interest, the Group has stipulated in the *Arrail Integrity Convention* that employees shall truthfully declare conflict of interest and has conducted training in various ways to enable employees to understand conflict of interest and the relevant declaration requirements. For any employee who violates the code of conduct and compliance requirements, we will take appropriate disciplinary actions depending on the severity of the case, aiming to maintain good internal reputation and operational order.

We have zero tolerance for all forms of corruption and fraud and encourage all employees and business partners to report any concerns of existing or potential fraud. The Group has a clear and open whistleblowing channel, namely a whistleblowing mailbox, to ensure that whistleblowing information can be delivered promptly and accurately conduct a thorough investigation into the real-name whistleblowing content and treat the employees involved sternly upon verification. In addition, we have formulated the *Integrity Reporting and Handling Measures*, and implemented the whistleblower protection measures, strictly limited the scope of knowledge of the whistleblower information, to ensure that the whistleblower's information does not flow out.

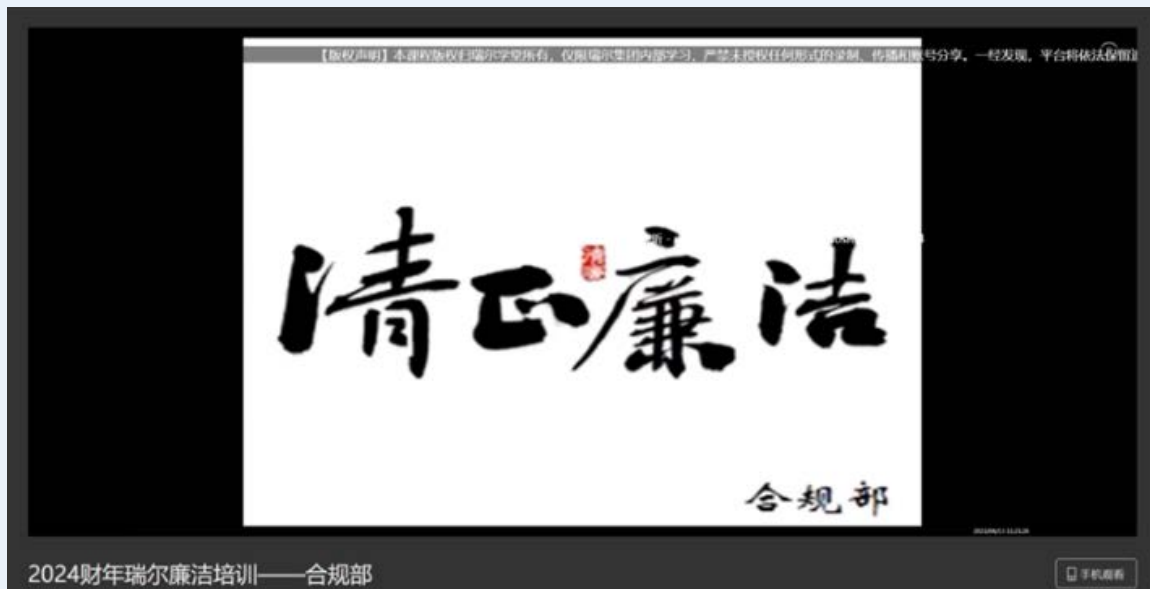
Arrail whistleblowing mailbox
fanfubai@arrailgroup.com

We also require all board members and employees to complete the publicity and training on code of business conduct and integrity every year, aiming at strengthening integrity publicity and urging managers at all levels to lead the team to work in a clean environment and comprehensively raising employees' awareness of integrity in work. In addition, through the signing of the *Letter of Commitment to Integrity* of suppliers, employees and other partners to carry out the promotion of integrity, so as to comprehensively maintain a clean atmosphere.

V. Strengthening Management and Operation Compliance

Case: Conducting Anti-Corruption Training and Establishing an Honest and Upright Environment

From April 22 to April 26, 2024, the Group organized all employees to attend an online integrity training, and the training contents covered modules such as “General Principles of Integrity” “Definition and Treatment of Non-compliance and Violations” “Conflicts of Interests” “Guidelines for Business Contacts” and “Case Study”, ensuring that employees have a thorough understanding of the relevant laws, regulations and internal systems against corruption. A total of 910 employees at management level signed the *Letter of Commitment to Integrity of Arrail Employees*. The training effectively improved employees’ understanding of laws, regulations and internal policies related to anti-corruption and enhanced their awareness of integrity.



The cover page of the online integrity training for all employees

V. Strengthening Management and Operation Compliance



Case: Annual Integrity Training for Senior Executives and Directors

In April 2024, we held an offline integrity training that encompassed a legal analysis of anti-corruption compliance for private enterprises, aiming to foster a clean and compliant business environment within the Group. The training activity focused on the senior management, including all board members, and all signed the *Letter of Commitment to Integrity of Arrail Employees*.



On-site annual integrity training for all senior executives and directors

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

VI. Promoting Green Operation

The Group actively responds to national and industry guidelines on environmental protection through reducing pollutant emissions, optimizing resource utilization, implementing the concept of environmental protection, energy conservation and emission reduction in the healthcare services and corporate operations. Besides, the Group also identifies and responds to possible climate change risks. Meanwhile, we proactively promote and advocate the green and low-carbon lifestyle by encouraging our employees, suppliers, and other stakeholders to reduce carbon emissions in their daily operations, thereby raising public awareness of environmental protection and low-carbon to safeguard our green home.

The environmental protection work of the Group is generally responsible and supervised by the Board of Directors. The functional departments such as the Medical Department, the Engineering Department, the Government and Public Affairs Department, and the management departments of various regions are responsible for the specific implementation of environmental compliance work in the early stage of clinic design and decoration as well as in the later stage of operation. The relevant matters are decided by the management of the Group and finally approved by the Board of Directors.

(I) RESPONDING TO CLIMATE CHANGE

Climate change has already had a profound impact on the global ecosystem and natural environment, and simultaneously, it is constantly influencing socio-economic conditions and corporate development. The Group actively follows the trend of global climate change and incorporates climate change mitigation and adaptation into its ESG management as a vital component. The Group thoroughly studies and implements the *Interim Regulations on the Management of Carbon Emissions Trading* issued by the State Council in 2024, and proactively launched a low-carbon advocacy campaign prior to the implementation of the regulations and issued the *Employee Emission Reduction and Energy Conservation Initiative of Arrail Group*, with the aim of promoting the reduction of unnecessary carbon emissions and energy consumption within the Group, thereby contributing to the realization of the national strategy of “peaking carbon emissions by 2030 and achieving carbon neutrality by 2060”.

For the year 2023/2024, the Group actively identified and assessed the possible impact of physical risks and transformation risks on its business development with reference to the classification of Task Force on Climate-related Financial Disclosure (TCFD) and took proactive measures to avoid the impact of climate change on its business operations and explore new business opportunities.

VI. Promoting Green Operation



Climate-related risks, opportunities, and response measures of the Group:

TRANSITION RISKS:

Source	Description	Our responses
Policies and laws	<ul style="list-style-type: none"> The government and regulatory authorities may implement more stringent environmental protection-related laws, regulations and policies in the future, which may increase the Group's environmental compliance costs. 	<ul style="list-style-type: none"> Conduct environmental and climate due diligence during operations to ensure compliance of operational process; Actively communicate with shareholders with climate change as an important issue, and carry out relevant training for all employees via Arrail Academy.
Technology	<ul style="list-style-type: none"> The task of low-carbon transformation in terms of energy saving and consumption reduction is arduous, and the overall energy efficiency level needs to be improved, which will increase the Group's transformation costs. 	<ul style="list-style-type: none"> Accelerate the procurement of environmental equipment and assets.
Market	<ul style="list-style-type: none"> The level of energy consumption of products will attract more attention in the market, which will lead to decreased demand for products with high carbon emission intensity. 	<ul style="list-style-type: none"> Actively reduce the traditional porcelain casting process, and develop the application of digital technology in cutting and printing.
Reputation	<ul style="list-style-type: none"> Stakeholders are increasingly concerned about the Group's performance in relation to green and low-carbon development and climate change addressing, and any deviation from expectations may affect the Company's reputation and image. 	<ul style="list-style-type: none"> Speed up the Group's low-carbon transformation; Establish a green and low-carbon corporate image, such as encouraging employees to travel in a green way by public transport, reducing vehicle usage rate.

VI. Promoting Green Operation

PHYSICAL RISKS:

Source	Description	Our responses
Acute risks	The increased frequency of natural disasters such as floods, heavy rains and snowstorms and typhoons may cause adverse situations such as disruption of the supply chain of medicines and medical equipment, inaccessibility of patients to hospitals, and losses of goods and properties, thus threatening the Group's ordinary course of business.	<ul style="list-style-type: none"> • Pay close attention to forecasts of extreme weather events provided by the climate authorities; • Set up emergency plans, including contingency plans for major catastrophic weather, and those for shortage of medical supplies;
Chronic risks	The Group's operating costs will rise, such as increase in power consumption for store operations and logistics and transportation costs.	<ul style="list-style-type: none"> • Develop alternative policies for customer diagnosis and treatment.

OPPORTUNITIES:

Source	Description	Our responses
Resource efficiency	Decrease in the use of energy and water resources will enable the Group's businesses to operate at a lower cost and enhance the Group's reputation.	<ul style="list-style-type: none"> • Formulate energy-saving and water-saving management measures and achieve the target of energy conservation and emission reduction year by year; • Select products and suppliers that are more energy efficient and environmentally-friendly.
Products and services	As global climate change intensifies, customers are increasingly inclined to use environmentally-friendly products or services. The Group's initiatives in low carbon emissions can therefore bring us a competitive advantage.	<ul style="list-style-type: none"> • Develop environmental management strategies based on customer strategies and needs to reinforce competitive advantages.
Employee participation	As global climate change intensifies, employees' awareness of related issues will continue to increase.	<ul style="list-style-type: none"> • Encourage employees to take individual actions in the environment to support the company's efforts in sustainable development.

VI. Promoting Green Operation



(II) ENHANCING EMISSIONS MANAGEMENT

The Group strictly complies with the *Environmental Protection Law of the People's Republic of China*, the *Environmental Impact Assessment Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Soil Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other relevant laws and regulations. In addition, the Group has formulated internal systems, including environmental impact assessment system, dust control system, sewage discharge management system, waste management system, environmental protection training system, supervision and inspection system, emergency response plan for sudden environmental incidents, and environmental risk prevention and control measures. The Group strengthens management on pollutants and hazardous waste emissions, thus reducing the negative impact of the Company's operations on the ecological environment. For the year 2023/2024, the Group was not subject to any administrative penalties or related litigation because of environmental pollution.

AIR EMISSIONS MANAGEMENT

The Group's air emissions, mainly dust generated during store construction, have a limited impact on the environment. The specific management measures for dust generated during the construction process are clearly stipulated in the *Environmental Management Measures for Arrail Group's Engineering Projects* formulated by the Group, including:

- During construction, electric tools and equipment should be used as much as possible to reduce the use of fuel-powered machinery and lower exhaust emissions. For situations where fuel-powered machinery is necessary, ensure they comply with the latest emission standards and conduct regular maintenance and servicing;
- Develop and implement a rigorous vehicle management system to reduce vehicle idling time, and encourage employees and contractors to use clean energy vehicles;
- Designated staff are responsible for spraying water to reduce dust at the construction site;
- The construction waste sorting devices shall be enclosed and transported to designated locations to avoid dust, spillage or on-site burning occurs;
- Install dust removal equipment in necessary areas of the construction site to prevent dust from being directly discharged into the atmosphere;
- During the renovation process, use environmentally friendly materials and low-VOC (Volatile Organic Compounds) paints to reduce indoor air pollution.

VI. Promoting Green Operation

For the year 2023/2024, the Group adopted centralized processing and preventive measures for works generating heavy dust during store decoration, thus further reducing dust pollution. In addition, the Group has partnered with third-party charging pile company to install electric vehicle charging stations at its stores and parking lots, making it convenient for employees and patients to travel with new energy electric vehicles and reducing vehicle exhaust emissions.

WASTEWATER MANAGEMENT

The wastewater generated by the Group mainly includes medical sewage. The discharge of the Group's medical sewage strictly follows the national standard such as the *Standard for Discharge of Water Pollutants from Medical Institutions*, the *Technical Specifications for Hospital Water Treatment Works* and the *Technical Guideline for Hospital Wastewater Treatment*. Each hospital or clinic is equipped with sewage purification equipment, which treats medical sewage to national discharge standards before it is discharged into municipal pipelines. The Group has obtained discharge permits in accordance with national laws and regulations and established operating and maintenance records for sewage treatment facilities, conduct regular testing of sewage discharge to ensure compliance with discharge standards.

The Group has established a dedicated supervision department or personnel to regularly inspect the environmental management work of each department, promptly rectify any problems identified, and hold relevant responsible individuals accountable. The sewage treatment equipment is managed by the Group's designated staff, and regularly inspect the operation of the equipment, so as to identify and remove faults in a timely manner and make detailed records. Furthermore, the Group invites qualified manufacturers or third parties on a regular basis to clean sludge and disinfect the sewage treatment equipment. We also implement disinfection, purification, and other treatment procedures for pathogens and chemicals that may be present in medical sewage from dental clinics. Before sludge discharge, microbiological indicators and fecal coliform values must be tested, and regular records must be kept ensuring that no harm is caused to the environment during the entire treatment process of medical sewage.

In addition to medical wastewater, the Group generates a small amount of construction wastewater during the construction process. To address this, we have installed sedimentation tanks and grease traps at the construction site to treat the wastewater and ensure that it meets discharge standards. We also regularly inspect and maintain the drainage system to prevent sewage leakage and overflow. Furthermore, we promote the use of water-saving equipment and appliances to reduce water consumption, thereby minimizing the generation of construction wastewater at the source.

VI. Promoting Green Operation



WASTE MANAGEMENT

The non-hazardous solid wastes generated by the Group are mainly domestic wastes; the hazardous wastes are mainly medical wastes, whose disposal process strictly complies with the *Regulations on the Administration of Medical Wastes* and the *Hazardous Waste Management System* formulated by the Group.

The Group has established a strict management system to sort domestic wastes generated in the daily operations, including: promoting knowledge of domestic waste sorting within the scope of responsibility and designating employees to guide units and individuals in waste sorting, and make records; clarifying the discharge time and location of different types of domestic wastes, so as to collect and store them by categories; domestic waste is collected and transported by qualified third-party companies through the property management of the building or shopping mall where the operating institution is located; classify the waste generated in the process of renovation, recycle and reuse the recyclable scraps, and hand over the non-recyclable ones to the waste disposal center for treatment; optimize the construction technology and material use to reduce the amount of waste materials and minimize waste generation during the construction process.

The Group classifies medical wastes generated from daily operations at source in accordance with the *Classified Catalogue of Medical Wastes*. Each medical clinic and hospital shall ensure that the packaging of medical wastes is in line with the requirements of the *Standard of Packaging Bags, Containers and Warning Symbols Specific to Medical Wastes*, set up a temporary storage room specifically for medical waste and a specialized storage room in which medical waste storage boxes issued by the cooperative qualified transfer company are placed, and the staff seals medical waste in the storage boxes on time every day. The Group signs a transfer agreement with qualified logistics companies to ensure that medical wastes are transferred within 48 hours. And at the same time, the responsible staff will register in detail the weights of wastes transferred, the types of medical wastes, the carrier, the receiver, the license plate number of transfer vehicles, the transfer location and other relevant information for traceability.

In terms of waste reduction, the Group strictly controls the output rate of wastes from each clinic. In accordance with the *Notice on Promoting the Management on Domestic Wastes Sorting in Medical and Health Institutions*, infusion bottles (bags) with the infusion tubes removed that have not been contaminated by patients' blood, body fluids and excreta, and those with a small amount of remaining diluted common medicinal solution shall be collected and stored separately and centrally as uncontaminated infusion bottles (bags), and shall not be treated according to the *Standards for Medical Wastes*, so that the Group can continuously improve the management on medical waste reduction. Meanwhile, we encourage hospital suppliers and manufacturers to design and manufacture product packaging in accordance with national regulations on clean production, produce packaging that is easy to recycle, dispose or degradable in the environment, restrict over-packaging, and reasonably build a product packaging recycling system to reduce environmental pollution from medical and domestic wastes generated by disposable consumption; we also encourage our employees to use reusable shopping bags or containers and join the "Clean your plate" campaign at meal times, so as to effectively push forward waste reduction at source.

VI. Promoting Green Operation

NOISE MANAGEMENT

The Group has also formulated a sound management mechanism for noise pollution that may be generated during the production and construction process to avoid and reduce the adverse impact of noise on the environment as much as possible. The specific management measures for noise are clearly stipulated in the *Environmental Management Measures for Arrail Group's Engineering Projects* formulated by the Group, including: reasonably arranging construction operation hours, strictly distinguishing between daytime and nighttime operations, and reducing noise from noise-generating equipment as much as possible; no honking for vehicles transporting materials to the construction site; careful handling of materials to prevent loud noise, especially during nighttime construction operations; strengthening the management on construction personnel, strictly prohibiting them from entering other areas in spare time and making loud noises, etc.

KPI: EMISSIONS

Indicator	The year 2023/2024
Total GHG emissions (Scope 1 and Scope 2) (tonnes carbon dioxide equivalent)	3,969.02
Total GHG emissions per unit area (Scope 1 and Scope 2) (tonnes carbon dioxide equivalent/square meter)	0.05
Direct GHG emissions (Scope 1) (tonnes carbon dioxide equivalent)	68.58
Petrol	47.62
Diesel	20.96
Indirect GHG emissions (Scope 2) (tonnes carbon dioxide equivalent)	3,900.44
Purchased electricity	3,900.44
Atmospheric pollutant emissions (kilogram)	
NO _x	62.26
SO ₂	0.44
Wastewater discharge (tonnes)	116,495.32
Total hazardous waste (tonnes)	219.11
Total hazardous waste per unit area (kilogram/square meter)	2.80
Total non-hazardous waste (tonnes)	82.40
Total non-hazardous waste per unit area (kilogram/square meter)	1.05

VI. Promoting Green Operation



Note:

1. The key performance indicators of energy and resource cover the administrative office area of the Group, hospitals and clinics in Beijing, Shanghai, Guangzhou, Chongqing and Chengdu. The remaining parts have not been included, and will be included in the statistics in due course according to the actual situation in the future;
2. The GHG inventory includes carbon dioxide, methane, and nitrous oxide, which are mainly derived from purchased electricity, gasoline, and diesel use. GHG emissions are calculated according to the *Power Carbon Dioxide Emission Factor in 2021* released by the Ministry of Ecology and Environment and the National Bureau of Statistics of China and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* published by the Intergovernmental Panel on Climate Change (IPCC), and are presented in terms of CO₂-equivalent. The reason for the significant decrease in data compared with last year is that the calculation of the carbon dioxide emission factor for purchased electricity has been updated from the *China Regional Grid Average CO₂ Emission Factors for 2011 and 2012* published by the National Center for Climate Change Strategy and International Cooperation, to the *Power Carbon Dioxide Emission Factor in 2021* released by the Ministry of Ecology and Environment and the National Bureau of Statistics of China;
3. Non-hazardous wastes are handed over to waste disposal units, mainly waste paper, discarded office stationery and domestic waste generated in the office area;
4. Hazardous wastes are handed over to qualified third-party recyclers for disposal, mainly including waste toner cartridges, waste ink cartridges, waste batteries, and medical wastes;
5. The sewage includes domestic sewage as well as wastewater generated by hospitals and clinics.

(III) OPTIMIZING RESOURCE UTILIZATION

Strictly adhering to the requirements of laws and regulations such as the *Energy Conservation Law of the People's Republic of China* and the *Water Law of the People's Republic of China*, the Group has formulated the *Management Measures for Energy Conservation and Consumption Reduction of Arrail Group* and launched the initiative and request to all employees of “Energy Conservation, Consumption Reduction, Low-Carbon Living, and Environmental Protection, Let’s Take Action as Arrail People”. We actively advocate for green office, implements a number of energy conservation and consumption reduction measures, constantly optimizes the use of resources, and enhances the efficiency of resource utilization, so as to achieve energy conservation and carbon reduction as well as continuous improvement of the ecological environment.

REINFORCING ENERGY CONSERVATION AND CONSUMPTION REDUCTION

To save energy and improve the efficiency of energy consumption in hospitals, clinics, and offices, the Group has gradually replaced traditional light sources with energy-saving light sources with higher luminous efficiency. Additionally, we installed a Building Management System (BMS), which can adjust the indoor lighting intensity according to the outdoor brightness to greatly reduce energy consumption. In the redecoration and construction of the new clinic, we have adopted environmentally friendly materials, energy-saving equipment, and optimized building layouts. We have also implemented 100% variable frequency air conditioners and gradually phased out old, energy-intensive equipment. In addition, we have strengthened training on energy conservation and emission reduction, which has significantly improved employees’ awareness of energy conservation and emission reduction in office and travel.

VI. Promoting Green Operation

In the year 2023/2024, we have put forward clear suggestions and requirements for employees in the *Management Measures for Energy Conservation and Consumption Reduction of Arrail Group*:

Conservation of office electricity

- Each department designates one employee as the electricity-saving supervisor for the office area.
- Offices and business premises with sufficient natural light should make full use of outdoor light sources.
- In summer, the air conditioning temperature should be set at 27 °C (depending on specific conditions), and power and air conditioning should not be turned on in unoccupied rooms. After work every day, employees should consciously turn off the power.
- Water dispensers are only allowed in two public areas, and the use of electric kettles, tea makers, and other electrical appliances at private workstations is strictly prohibited.
- Cut off the power supply to office equipment during non-use periods.
- Use simple screensavers on office computers, set the brightness of office computers to a suitable level, and promptly turn off the monitors.
- Unplug power plugs after shutting down computers.

Conservation of office supplies

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

Reduction in office emissions

- Encourage employees to travel greenly by taking public transportation instead of private cars.
- Encourage carpooling among employees for business trips.
- Encourage employees to use electric bikes or bicycles for short trips.
- Encourage employees to bring their own meals instead of ordering takeouts, thereby reducing energy consumption in the process of takeaway delivery.

SAVING WATER RESOURCES

The Group has formulated the *Water and Electricity Saving Policy of Rytime Dental Hospital* and other relations, clearly specifying measures to save water resources. Moreover, the Group continues to strengthen the daily maintenance and management of water equipment, and prevent leakage by regularly checking faucets, to minimize the waste of water resources. In addition, we exert ourselves in raising employees' awareness of water conservation by posting water-saving slogans on water-using equipment and advocating employees to practice the green concept of water conservation together.

VI. Promoting Green Operation



Construction and decoration

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

A rainwater collection system is set up at the construction site to use the collected rainwater for construction.

Hospital and clinic

Install water-saving toilets, sensor-controlled faucets, or water-saving faucets to avoid waste of water due to negligence.

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

Regularly inspect the water supply pipe network to promptly identify and repair leakage points, reducing the hidden loss of water resources.

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

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

REGULATING GREEN CONSTRUCTION

The Group strictly complying with construction-related laws, regulations and standards, and has formulated the *Environmental Management Measures for Arrail Group's Engineering Projects*. Moreover, the Group also actively adopts advanced green materials and processes to ensure the compliance of store construction with environmental regulations, clarify relevant measures such as reducing dust during store renovation and construction, classified disposal of renovation waste, and recycling and reuse, minimizing impact on environment. The Group strictly reviews and supervises the standards and sources of engineering materials. Ceramic tiles, paints, panels and flooring materials should be in accordance with the environmental protection standards that meet the E0 level. In addition, the Group actively organizes trainings on construction material management, especially conducting corresponding research and evaluation on the new material for environmental protection application and technological innovation.

VI. Promoting Green Operation

KPI: USE OF ENERGY AND RESOURCE

Indicator	The year 2023/2024
Total energy consumption (MWh)	6,827.60
Total energy consumption per unit area (MWh/square meter)	0.09
Direct energy consumption (MWh)	263.42
Petrol	186.07
Diesel	77.35
Indirect energy consumption (MWh)	6,564.18
Purchased electricity	6,564.18
Water consumption (tonnes)	118,095.32
Fresh water	118,095.32
Total water consumption per unit area (tonnes/square meter)	1.51

Note :

1. The key performance indicators of energy and resource cover the administrative office area of the Group, hospitals and clinics in Beijing, Shanghai, Guangzhou, Chongqing and Chengdu. The remaining parts have not been included, and will be included in the statistics in due course according to the actual situation in the future;
2. As the statistical scope for this year does not include processing plants, the packaging material indicators are no longer applicable.

VI. Promoting Green Operation



(IV) ENVIRONMENTAL TARGETS

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

Type of targets	Setting of targets	Progress for the year 2023/2024
Target of emissions	<ul style="list-style-type: none"> For the year 2024/2025, the Group will reduce per capita GHG emissions from purchased electricity by 3% compared to the year 2022/2023, by switching to LED lights, further implementing the Energy Conservation and Resource Management System, increasing the use of renewable resources such as solar energy, promoting computer power-saving modes, and adjusting the temperature of air conditioners in winter and summer 	<p>In progress</p> <p>20% reduction in per capita greenhouse gas emissions from purchased electricity in 2023/2024 compared to 2022/2023</p>
	<ul style="list-style-type: none"> For the year 2025/2026, the Group will increase the proportion of business travel by high-speed railways to 50% through methods such as the financial reimbursement policies and regulations governing staff business travel 	<p>In progress</p> <p>For the year 2023/2024, the percentage of business travel by high-speed railways reached 32%</p>
	<ul style="list-style-type: none"> For the year 2025/2026, the Group will reduce domestic/global business trips by 30% compared to the year 2021/2022 by enhancing online meetings and communication based on relevant regulations governing staff business travel 	<p>In progress</p> <p>For the year 2023/2024, the number of domestic/global business trips reduced by 30% compared to the year 2021/2022</p>

VI. Promoting Green Operation

Type of targets	Setting of targets	Progress for the year 2023/2024
Target of waste reduction	<ul style="list-style-type: none"> From the year 2022/2023, the Group will carry out garbage sorting and recycling throughout the Group and entrust qualified third-party institutes to dispose of 100% of hazardous wastes generated from operations in compliance with regulations 	Completed
	<ul style="list-style-type: none"> From the year 2023/2024, the Group will promote direct-drinking water in office buildings at all operating sites, and purchase less bottled water/ barrelled water in order to reduce the generation of plastic wastes 	In progress For the year 2023/2024, the coverage of direct-drinking water in office buildings at all operating sites reached 69%
	<ul style="list-style-type: none"> Original target: For the year 2023/2024, the Group will replace 100% of plastic garbage bags with biodegradable ones 	Target adjustment For the year 2023/2024, the percentage of biodegradable garbage bags used instead of plastic ones reached 55% ³
	<ul style="list-style-type: none"> New target: For the year 2024/2025, the Group will replace 60% of plastic garbage bags with biodegradable ones 	

³ Medical waste is highly infectious, toxic and otherwise hazardous. Due to cost and technical issues, it is difficult to use specially designed and manufactured biodegradable medical waste bags for all medical waste, so the previously set goal of using 100% biodegradable waste bags this year has not been achieved, and set a new target for this year.

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Type of targets	Setting of targets	Progress for the year 2023/2024
Target of energy efficiency	<ul style="list-style-type: none"> For the year 2024/2025, the Group will reduce per capita electricity consumption by 3% compared to the year 2022/2023 by switching to LED lights, further implementing the Energy Conservation and Resource Management System, increasing the use of renewable resources such as solar energy, promoting computer power-saving modes, and adjusting the temperature of air conditioners in winter and summer 	<p>In progress</p> <p>Electricity consumption per capita decreased by 4% in 2023/2024 compared to 2022/2023</p>
	<ul style="list-style-type: none"> From the year 2023/2024, the Group plans to continue the purchase of renewable energy certificates to offset the electricity consumed in operations 	<p>Target adjustment</p> <p>For the year 2023/2024, the Group had not purchased any renewable energy certificates yet.⁴</p>
	<ul style="list-style-type: none"> For the year 2023/2024, the Group will achieve a 100% installation rate of inverter air conditioners and energy-saving lamps 	<p>Target adjustment</p> <p>For the year 2023/2024, the percentage of inverter air conditioners and energy-saving lamps reached 96%⁵</p>

⁴ Based on the long-term considerations of its energy strategy, the Group currently plans to prioritize internal energy conservation and explore direct renewable energy projects, and therefore has not implemented the originally planned plan to purchase renewable energy certificates. In the future, the Group will continue to pay close attention to energy development trends and timely assess the applicability of purchasing renewable energy certificates or other similar mechanisms.

⁵ At present, the adoption rate of variable frequency air conditioners and energy-saving lamps in newly-built clinics has reached 100%. However, a small number of old clinics still use equipment that can work normally, so they have not yet been replaced for the sake of saving expenses. They will be replaced with new energy-saving equipment after reaching the service life or malfunctioning.

VI. Promoting Green Operation

Type of targets	Setting of targets	Progress for the year 2023/2024
Target of water efficiency	<ul style="list-style-type: none"> For the year 2024/2025 and the year 2026/2027, the Group will reduce per capita water consumption by 3% and 15% respectively, compared to the year 2022/2023, by adopting water-saving faucets and sanitary ware, increasing reclaimed water circulation systems and enhancing the implementation of the Energy Conservation and Resource Management System⁶ 	<p>In progress</p> <p>For the year 2023/2024, the per capita water consumption of the Group was slightly increased compared to the year 2022/2023. In the future, we will strive to reduce the per capita water consumption by intensifying water conservation awareness campaigns, promoting the widespread adoption of water-saving appliances, and implementing water-saving technologies, with the ultimate goal of achieving sustainable water resource management.</p>
	<ul style="list-style-type: none"> For the year 2024/2025, the Group will achieve a 90% replacement rate for old wastewater treatment facilities 	<p>In progress</p> <p>For the year 2023/2024, the Group replaced 65% of old wastewater treatment facilities</p>
	<ul style="list-style-type: none"> For the year 2023/2024, the Group will achieve an 80% retrofitting rate of electronic valves in drainage piping systems 	<p>Completed</p> <p>For the year 2023/2024, the Group installed electronic valves for 100% of drainage piping systems</p>
	<ul style="list-style-type: none"> Original target: For the year 2023/2024, the Group's automatic sensor water tap installation rate will reach 100%. New target: For the year 2024/2025, the Group's automatic sensor water tap installation rate will reach 90%. 	<p>Target adjustment</p> <p>For the year 2023/2024, the Group's automatic sensor water tap installation rate reached 75%⁷</p>

⁶ Since the scope of greenhouse gas emissions statistics has been expanded to include administrative office areas, as well as hospitals and clinics in Beijing, Shanghai, Guangzhou, Chongqing, and Chengdu regions of the Group starting from the year 2022/2023, we have updated the targets set for the previous year based on the year 2021/2022, with the new benchmark year being updated to 2022/2023.

⁷ Currently, the installation rate of automatic sensor faucets in newly built clinics has reached 100%, but some older clinics have not replaced their faucets yet as they are still in good condition and free of any malfunctions. At the same time, we have set a new target for this year.

VI. Promoting Green Operation



Type of targets	Setting of targets	Progress for the year 2023/2024
Others	<ul style="list-style-type: none"> From the year 2023/2024, the Group will prioritize the LEED-certified buildings when renting/purchasing new workplaces 	<p>Completed</p> <p>For the year 2023/2024, the Group rented the LEED-certified building (Gemdale Matrix Center)</p>

VII. Caring for Employees and Society

The Group regards talents as the main driving force for robust development. With a focus on attracting talents, the Group provides competitive salaries and benefits, respects and protects the legitimate rights and interests of each employee, and cares for the occupational health and safety of employees. The Group is committed to creating a platform for employees to improve their proficiency and seek long-term development, so as to promote the common development of the enterprise and employees. In the meantime, adhering to its core philosophy of “integrity, professionalism and being a good person”, the Group actively fulfills its social responsibilities as a corporate citizen, develops hand in hand with communities and the public, and promotes the sustainable development of the social healthcare industry with its reliable professionalism and humanistic care.

(I) PROTECTING EMPLOYEES’ RIGHTS AND INTERESTS

The Group strictly complies with relevant laws and regulations such as the *Labor Law of the People’s Republic of China*, the *Social Insurance Law of the People’s Republic of China*, the *Rules on the Labor Protection of Female Employees*, and the *Implementation Measures for Paid Annual Leave for Employees of Enterprises*, and continues to identify and track the latest developments. We have developed relevant internal rules and regulations such as the *Employee Manual of Arrail Group*, which covers recruitment, termination of employment, remuneration and benefits, promotion and development, working hours, leave management, anti discrimination and other aspects, striving to provide employees with a fair, impartial, diversified and equal working environment, protecting employees’ rights and interests in an all-round way and improving their happiness and sense of belonging.

Protecting Employee Rights and Building a Harmonious Workplace

- We sign formal labor contracts with all employees in accordance with the law, providing basic guarantees such as social insurance and housing fund, achieving 100% coverage of formal employees.
- We respect religious beliefs, encourage internal cultural diversity. We do not tolerate any discrimination based on race, gender, place of origin, age, and health status.
- We value the opinions of our employees and have established a smooth and efficient communication channel for employees. Employees can provide feedback to the Group’s management through suggestion boxes, emails, and other online and offline channels.
- We conduct an annual employee engagement survey. In the year 2023/2024, the employee engagement rate was 84%, with 63% of all employees participating. Among these, 80% of the survey results were validated as effective, truly and reasonably reflecting employees’ genuine thoughts. Our goal for the next fiscal year is to increase the employee engagement rate by 2 percentage.

VII. Caring for Employees and Society



The Group strictly prohibits the employment of child labor and forced labor. The Human Resources Department checks the identity documents of the candidates one by one to ensure that the recruits have reached the legal working age and voluntarily participated in labor. In case of any child labor or forced labor, we will actively take remedial measures, communicate with the labors concerned and their legal guardians, and make proper arrangements for them according to the law.

In the year 2023/2024, the Group did not have any violations of labor-related laws and regulations and infringement of employees' rights. We were not subject to any penalties related to the protection of employee rights, nor did we face any employee strikes arising from labor disputes, contract negotiations, or other issues.

The Group has won the title of “China Preferred Employer of the Year” by Zhaopin.com for two consecutive years.



VII. Caring for Employees and Society

KPI: EMPLOYMENT AND TURNOVER RATE

As at March 31, 2024, the Group had totally 3,898 employees including part-time and internship, with an annual turnover rate of 24.22%.

Indicator		The year 2023/2024
Total number of employees		3,898
Number of employees by gender	Male	717
	Female	3,181
Number of employees by age	Age 30 and below	1,855
	Aged 31 to 50	1,761
	Aged 51 and above	282
Number of employees by ethnicity	Han	3,674
	Minority	224
Number of employees by geographical region	Beijing Area	1,202
	Non-Beijing area	2,696
Number of employees by employment type	Full-time	3,464
	Part-time/Internship	434
Number of employees by job level	Dentist	1,143
	Number of female	714
	Nurse	1,260
	Number of female	1,254
	Customer service staff	702
	Number of female	672
	Administrative staff	524
	Number of female	363
	Marketing staff	269
	Number of female	168

VII. Caring for Employees and Society



Indicator	The year 2023/2024	
Number of employees by management level	Junior employees	3,276
	Number of female	2,747
	Number of female in revenue generating positions	2,516
	Middle employees	615
	Number of female	433
	Number of female in revenue generating positions	354
	Senior employees	7
	Number of female	1
	Number of female in revenue generating positions	0
Number of newly hired employees	Male	173
	Female	726
	Age 30 and below	613
	Aged 31 to 50	233
	Aged 51 and above	53
	Han	830
	Minority	69
	Dentist	321
	Nurse	292
	Customer service staff	116
	Administrative staff	95
	Marketing staff	75
	Junior employees	848
	Middle employees	51
	Senior employees	0
Number and percentage of employees of internal transfers	Number of internal transfers or internal recruitment	51
	Percentage of internal transfers or internal recruitment	5.67%
Employee turnover rate		24.22%
Employee turnover rate by gender ⁸	Male	25.62%
	Female	23.94%

VII. Caring for Employees and Society

Indicator		The year 2023/2024
Employee turnover rate by age group ⁸	Age 30 and below	29.85%
	Aged 31 to 50	17.90%
	Aged 51 and above	18.44%
Employee turnover rate by region ⁸	Beijing Area	24.11%
	Non-Beijing area	24.27%
Employee turnover rate of voluntary departures by position ⁸	Dentist	19.42%
	Nurse	22.99%
	Others	21.32%
Employee turnover rate of involuntary departures by position ⁸	Dentist	2.68%
	Nurse	2.75%
	Others	7.46%

⁸ The turnover rate excludes part-time employees and interns

(II) HELPING EMPLOYEE'S GROW

The Group values the cultivation of talents and regards the development of employees as an important driving force for corporate development and an important aspect of corporate social responsibility. We customize personalized career plans for different roles, and helps employees in various positions to improve their career development paths and growth systems, so as to achieve a win-win situation for the coordinated development of the enterprise and employees.

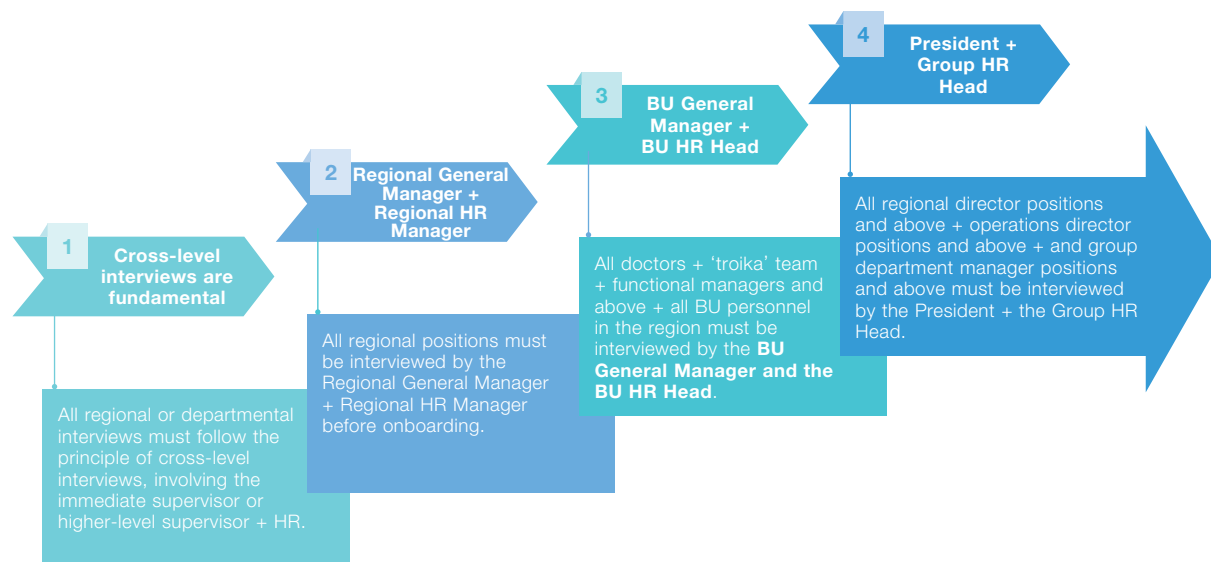
TALENT ACQUISITION

The Group continues to build a high-quality workforce. Through various recruitment channels such as campus recruitment and website recruitment, the Group actively introduces dental medical and management talents in the industry, and reserves and fosters new forces. In the process of talent introduction, the Group strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Rules for the Implementation of the Labor Contract Law of the People's Republic of China* and other laws and regulations. This year, we have continued to optimize our recruitment process. Based on cross-level interviews, HR accompanies the entire process, requiring department and regional heads to fully understand the interview candidates, ensuring the quality of candidates. The specific process is as follows:

VII. Caring for Employees and Society



INTERVIEW PROCESS AND REQUIREMENTS:



TALENT DEVELOPMENT

The Group provides employees with dual channels of professional development and management development and establishes a clear career development path for employees according to their personal choices. The Group has put in place a well-established system of assessment, evaluation and mentorship for talent cultivation in each specialty, providing each doctor with ample options in different specialties. This enables doctors with potential and pursuits of clinical skills in their specialties to be identified and trained in a timely manner. At the same time, we are committed to improving employee retention rates. For new employees, we assign one-on-one mentors and HRBPs to understand, mentor, and care for them. For regions with high retention and low turnover rates, we promptly analyze and summarize, sharing experiences with other regions.

Additionally, the Group has set up the "Arrail's partnership system", which aims to attract and promote talented professionals who agree with Arrail's values and keep in line with the Group's interests, enable doctors to participate more deeply in the operation and management of clinics, improve their subjective initiative.

VII. Caring for Employees and Society

TALENT COMPENSATION

The group provides fair, reasonable, and competitive compensation, adjusting commission mechanisms in a timely manner to ensure employees are rewarded for their efforts. Our performance evaluation mechanism covers 90% of all employees, adopting goal-oriented methods to conduct monthly performance evaluations. Performance-related variable compensation accounts for 62% in average of total employee income. Furthermore, we incorporate medical quality inspection scores into management performance evaluations and link sustainable development indicators to management performance, providing specific incentives to achieve the group's sustainable development goals. Additionally, the Group has established a compensation clawback provision, where part or all of the long-term incentive benefits may be recovered for those who cause company asset losses or fail specific annual performance assessments.

Based on performance evaluations, the Group has developed a comprehensive incentive system combining long-term and short-term incentives. Long-term incentives are provided to some senior executives recruited through talent acquisition and outstanding managers at the “troika” level (i.e., Clinic Medical Director, Clinic Manager, Clinic Nurse Manager) and above. We have established an equity incentive mechanism, granting shares to senior managers and key core staff, effectively motivating employees to grow with the company. As of March 31, 2024, 626 employees have been approved by the Board to be beneficiaries of this plan. For the Group's senior management and regional general managers, we adopt a combination of long-term and short-term incentives. Long-term incentives include stock options with a validity period of up to 10 years, while short-term incentives are mainly performance-related variable compensation with performance indicators related to financial indicators such as revenue growth rate and profitability.

TALENT CULTIVATION

The Group has established a comprehensive and well-developed professional training system that covers the entire career cycle of every employee. At the onboarding stage, all new employees are required to participate in the “orientation training” developed by the Group, which includes general knowledge learning and introduction to different positions such as doctors, nursing, customer service and basic operation. Arrail Academy and the Group's dental clinics jointly offer special promotion training programs in different forms and at different levels to employees who have been serving for one year, so as to help them gradually improve their professional skills and achieve substantial career development.

Based on past operational experience, we have launched the Arrail Knowledge Base to preserve and transmit the group's knowledge reserves, promoting knowledge sharing and application, supporting learning and training, and improving work efficiency. On this basis, we through various forms such as online and offline courses, training, meetings, case presentation and seminars. The platform has launched a total of 1,819 courses, with 9,793 members, a cumulative number of learners of 6,286, and a total of 53,245 learning hours. This enables our employees to effectively utilize their spare time for self-study and further improve their professional skills.

VII. Caring for Employees and Society



To continuously enhance the vocational skills and professional qualities of employees, the Group actively cooperates with domestic and foreign colleges and universities to conduct training and learning, regularly organizes visits and study of elite doctors to the School of Dental Medicine of the University of Pennsylvania, and strengthens the talent strategic cooperation with Peking University School of Stomatology, Southwest Medical University, West China School of Stomatology, Shanghai Second Medical University, the Fourth Military Medical University, Wuhan University and other colleges and universities to cultivate and accept high-quality dental professionals. The Group also sets up Arrail excellent service scholarship in Peking University School of Stomatology and as of March 31, 2024, a total of RMB331,411 yuan has been donated, covering 176 students.

Case: “Rytime Cup” Case Competition for Talent Development

Chongqing Rytime has established a long-term cooperative relationship with Southwest Medical University. Following the establishment of the “Southwest Medical University • Rytime Stomatology Scholarship” donation project, Chongqing Rytime co-hosted the first “Rytime Cup” Case Competition for Graduate Students and Resident Doctors on July 31, 2023. This competition, held at the Southwest Medical University Affiliated Stomatology Hospital, aimed to further assist the university in enhancing the clinical skills and clinical thinking of graduate students and resident doctors, improving the quality of graduate education and standardized training for resident doctors.

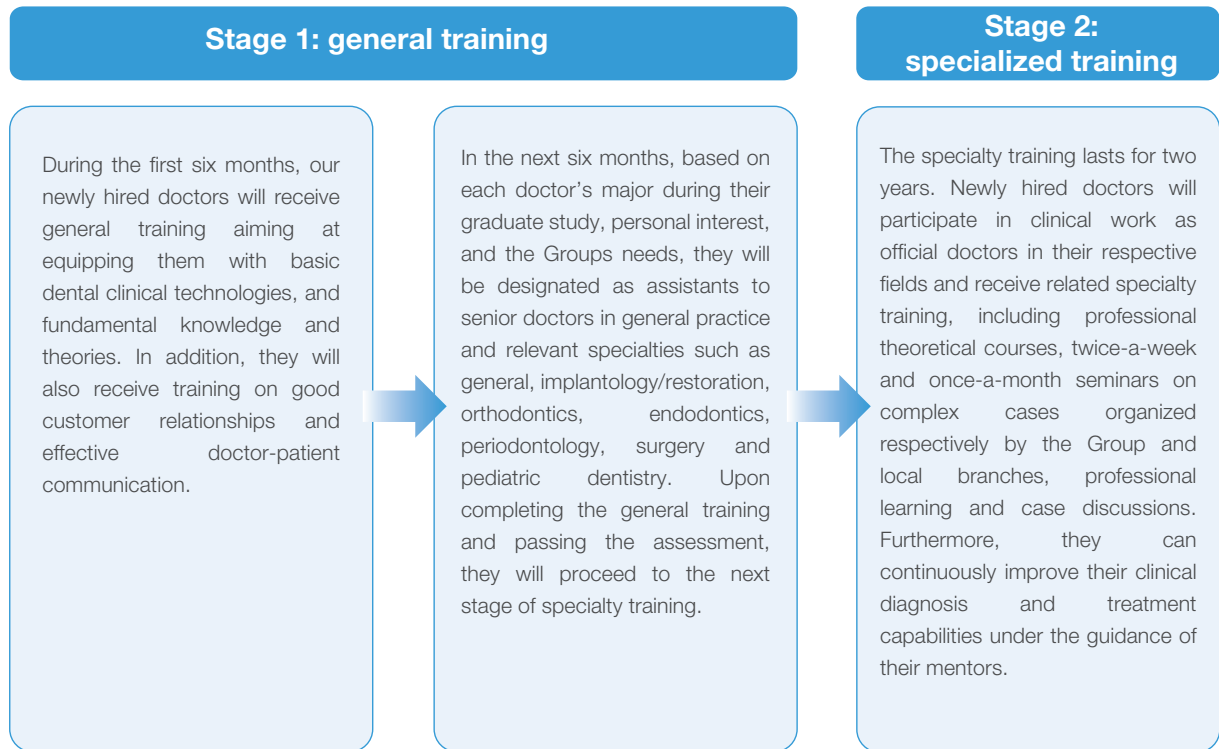


The First “Rytime Cup” Case Competition

VII. Caring for Employees and Society

PROFESSIONAL ENHANCEMENT

The Group has developed a comprehensive mentorship training system to support the development of new doctors. This system comprises of an orientation training, followed by two stages of mentorship training, aiming at offering new doctors with skills and knowledge required for junior attending physicians.



Moreover, we periodically provide training on the application of new technologies, including various new implant technologies, orthodontic techniques, pediatric early intervention treatment techniques, digital technologies (navigation, guide plate technology, ITARA digital scanning technology), new periodontic surgical techniques, new laser technologies, and related endodontic general and specialized treatment technologies, continuously enhancing doctors' technical levels. To address difficulties in external further education applications, high costs, and impacts on work and income, we conduct internal further education enrollment and training projects, accelerating young doctors' growth, promoting discipline construction, enhancing the growth rate of grassroots doctors, fully leveraging the group's internal expert advantages, and comprehensively supporting talent development, significantly improving talent quality.

VII. Caring for Employees and Society



Case: Systematic Periodontal Treatment Training for Enhancing Clinical Skills

The standardization of basic periodontal treatment is a crucial indicator of a dental clinic's clinical treatment level and the foundation for conducting complex case treatments. In recent years, we have increasingly emphasized periodontal treatment in clinical practice. To help dentists improve their periodontal treatment skills, we have organized systematic training covering the etiology, pathological mechanisms, pathological characteristics, examination, diagnosis, classification, treatment planning, prognosis analysis, and re-evaluation standards and procedures of periodontitis. This effectively helps doctors enhance their multidisciplinary collaborative treatment capabilities related to periodontics and apply them effectively in clinical work.



Systematic Periodontal Treatment Training

VII. Caring for Employees and Society

Case: Pediatric Early Orthodontic Summit Forum for Promoting Pediatric Dentistry Development

In December 2023, we held a two-day “Arrail Dental North China Pediatric Early Orthodontic Summit Forum and Pediatric Dental Disease and Facial Management Case Competition” in Beijing. The forum invited numerous prominent domestic experts in pediatric dentistry, attracting nearly 300 colleagues nationwide. Experts and scholars from the pediatric dental field delivered a splendid academic feast. The forum aimed to continuously improve Arrail Dental’s pediatric dental treatment levels in North China, help doctors absorb advanced early orthodontic theories, and create an academic exchange platform for colleagues, further standardizing pediatric dental practices and promoting the healthy development of pediatric dentistry in China.



Arrail Dental North China Pediatric Early Orthodontic Summit Forum and Pediatric Dental Disease and Facial Management Case Competition

For nursing positions, the Group has organized over 300 online, offline, practical exercises, assessment, technical competitions, and other forms of training across the country, effectively improving the professional ability of oral nursing personnel to ensure the quality of clinical medical treatment and nursing.

VII. Caring for Employees and Society



New Nurse Onboarding Training

The orientation training for new nurses requires them to complete the professional knowledge learning via the online Arrail Academy platform and pass the exam within two weeks of their employment, and receive offline coaching and guidance according to their major. This year, we have completed and supplemented the new nurse training courses on the Arrail Cloud Academy platform, adding five categories of courses, including career planning, job responsibilities, quality nursing processes, dental four-handed operation standards, medical waste management, and material management, with post-course exams added to each course.

In-service Nurse Training

- Nurse skill training includes theoretical knowledge and practical training in general and specialized directions (implantology, orthodontics, prosthodontics, etc.), as well as infection control and emergency procedures. The Nursing Department requires clinics to integrate skill training into daily work, conducting nursing skill training four times a month;
- Nursing management training is organized by the Group, and the Group also organizes training for head nurses and nursing department directors nationwide, covering topics such as enhancing team mentoring and management capabilities.

Case: National Quality Nursing Reception Process Show Finals, Improve the Reception Capacity

Adhering to a customer-centric service philosophy, the Group held the Quality Nursing Reception Process Competition this year, significantly improving the standardization of reception process handling among nursing staff nationwide, while providing targeted training and guidance on common issues, effectively achieving the goals of teaching, learning, and improving through competition.



National Quality Nursing Reception Process Competition Finals

VII. Caring for Employees and Society

For customer service positions, the Group regularly conducts exclusive customer service learning and sharing sessions, covering service process standards, communication skills, and excellent service case studies, helping customer service staff deeply learn how to collaborate effectively with doctors and nurses, providing better diagnostic and treatment service experiences for customers.

KPI: EMPLOYEE TRAINING

As of March 31, 2024, a total of 3,898 employees of the Group participated in the training, accounting for 100% of the whole workforce, with the average training time per employee⁹ of 13 hours.

Indicator		The year 2023/2024
Proportion of trainees by gender	Male	100%
	Female	100%
Proportion of trainees by employee category	Dentists	100%
	Nursing staff	100%
	Customer service staff	100%
	Administrative staff	100%
	Marketing staff	100%
Average training hours per employee by gender ⁹ (hour)	Male	13
	Female	13
Average training hours per employee by employee category ⁹ (hour)	Dentists	18
	Nursing staff	12
	Customer service staff	10
	Administrative staff	10
	Marketing staff	10

(III) CARING FOR PHYSICAL AND MENTAL HEALTH

The Group provides a safe and comfortable workplace for all employees, and promotes a healthy and balanced working style, so as to safeguard the occupational health and safety of employees. We strictly abide by the *Labor Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, the *Regulation on Work-Related Injury Insurance* and other occupational health and safety related laws and regulations. At the same time, a performance appraisal system based on the occupational health and safety management system has been developed, and the safety performance of the Group has been continuously optimized through the establishment of quantified safety and health objectives. Besides, we have established a health and safety internal management system for employees, collective agreements have been established and an internal management system for employee health and safety has been set up to cover all employees and contractors.

⁹ The training modalities are in line with the current trend of digital development within the Group, where most trainings are flexibly conducted online. However, due to the difficulty in accurately measuring the duration of online training, the current statistical standard only encompasses unified offline trainings. In the future, we will continuously improve our statistical capabilities for training data and expand the scope of statistics.

VII. Caring for Employees and Society



OCCUPATIONAL HEALTH

To safeguard the health of our employees, we organize annual physical examinations for all employees, so that they can pay attention to their health status and detect existing and potential health problems in a timely manner. And at the same time, the Group also values the potential impact of radiological medical equipment on the health of employees. In the actual operation, in strict compliance with the requirements of radiation related regulations, such as the *Provisions on the Administration of Radiological Diagnosis and Treatment*, the *Regulations on the Safety and Protection of Radioisotopes and Radiation Devices*, and the *Measures for the Administration of Safety Licensing for Radioisotopes and Radiation Devices*. We obtain the necessary licenses for diagnostic technology and medical radiation institutions, ensure that the radiation levels of our diagnostic equipment and workplaces meet national standards, and set strict requirements for the use of radiation devices, protective facilities, and the qualifications of operators. We are inspected by the environmental protection administrative department and other relevant departments as stipulated in related regulations, and we carry out environmental protection-related procedures such as environmental impact approval, acceptance and radiation safety licensing in accordance with the law, committed to providing a safe and healthy work environment for every employee.

To better protect occupational health and safety, the Group has established a comprehensive work injury protection system based on the requirements of relevant laws and regulations, and purchased medical insurance and work injury insurance for all employees. In case of any work injury, we can ensure that the injured are treated promptly by adopting a rapid and effective response mechanism. The Group's number and rate of work-related fatalities occurred for each of the years 2021/2022 to 2023/2024, the number and rate of work-related fatalities in the Group were zero, and the total number of workdays lost due to work injuries was 273.5 days.

EMPLOYEE CARE

The Group makes great efforts to create a positive, harmonious and pleasant corporate culture centered on employees' actual needs, so as to enhance their sense of integration and identity with the corporate culture. We adopt a flexible attendance system, allowing a one-hour flexible range for clocking in and out based on an eight-hour workday. In the event of adverse weather or other unexpected situations, department heads make work arrangements and further relax clock-in and clock-out times, helping employees to arrange their work schedules flexibly according to personal circumstances and balance their work-life relationship. In addition, for employees in special periods, we provide them with welfare leave such as paid nursing care leave, breastfeeding leave, and childcare leave to enhance their happiness and sense of belonging.

The Group actively provides financial and spiritual support to employees with difficulties in their daily lives. Since its establishment in 2012, the Arrail Foundation has supported and assisted 39 employees facing difficulties. For employees who have reached retirement age, we continue to provide medical benefits, and those who have been awarded equity can continue to hold company shares. During holidays, we give thoughtful gifts and heartfelt greetings to all employees and organize warm and joyous holiday celebrations, allowing employees to feel the Group's care and enjoy the fruits of the Group's development while working hard.

VII. Caring for Employees and Society

(IV) BUILDING A BEAUTIFUL HOMELAND

Adhering to its core philosophy of “integrity, professionalism and being a good person”, the Group actively fulfils its social responsibilities as a corporate citizen, and promotes the sustainable development of the social healthcare industry with its reliable professionalism and humanistic care. This year, we carried out a variety of public welfare programs and community activities to fully leverage our advantages as a professional dental organization. We combined oral disease diagnosis and treatment with oral health publicity. Moreover, we actively carried out charitable donations, and developed hand in hand with the industry, communities and the public to support sustainable development of society.

Future Public Welfare Goals of the Group:

For children with autism, we plan to collaborate with the China Oral Health Foundation to launch the “Star Lighting Plan,” providing oral care training for families with autistic children and offering free basic treatment services. We aim to serve 2,000 children during the year 2024/25.

BENEFITING THE PUBLIC WITH HEALTHCARE

The Group is convinced that oral health plays an important role in public health. We always adhere to the mission of “serving communities and giving back to society”, and actively organize and carry out publicity activities related to free clinical services in communities, enterprises and schools. In response to the national policy, the Group has launched a series of policies that benefit our people to popularize oral health knowledge and improve the physical quality of our citizens.

VII. Caring for Employees and Society



Case: “Good Neighbor Service” for Building a Healthy and Harmonious Community

Arrail Dental in Beijing has launched the “Good Neighbor Service” project, targeting communities surrounding our clinics. We hold weekly community open days, with participation from our clinic and marketing staff, providing oral health lectures and free consultations to community residents. This helps them understand oral health knowledge and receive routine diagnoses. This year, we have held 5-6 activities per month on average, providing free consultations to approximately 2,400 people.



Arrail Beijing “Good Neighbor Service” Project

VII. Caring for Employees and Society

CHARITABLE DONATION

The Group has always been committed to public welfare and actively fulfilled its social responsibilities, making continuous progress in public welfare activities. Through various forms of public welfare activities such as fundraising and organizing volunteer activities, we focus on and support vulnerable groups, providing them with necessary assistance and support, working together to build a better home.

Case: Raising Charitable Funds to Care for Orphans and Disabled Children

Since 2011, the Group has partnered with the China Oral Health Foundation to launch the “Comprehensive Oral Disease Prevention and Treatment Project for Orphans and Disabled Children.” Through charity golf tournaments and the introduction of the “Le Ya” Card donation project, we have raised funds to support this cause. As of May 2024, the project has reached 23 provinces across the country, raising a total of RMB1,922.2 thousand. Our public health education initiatives have reached over 40,000 individuals, with over 20,000 receiving dental check-ups, 20,000 teeth treated with fissure sealants, and nearly 10,000 cavities filled. Our actions demonstrate our commitment to caring for children and mobilizing more social forces to focus on this special group of children.



Raising Charitable Funds to Care for Orphans and Disabled Children

Appendix



INDEX TABLE OF THE STOCK EXCHANGE'S ESG REPORTING GUIDE

Mandatory Disclosure Requirements	General Disclosure and Key Performance Indicators	Corresponding Reporting Location
Governance Structure	<p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. 	SUSTAINABILITY MANAGEMENT – Statement of the Board of Directors
Reporting Principles	<p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <ul style="list-style-type: none"> (1) Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. (2) Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. (3) Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison. 	ABOUT THIS REPORT
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	ABOUT THIS REPORT

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



“Comply or explain” Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
	A2 Use of Resources	General Disclosure: Policies on efficient use of resources, including energy, water and other raw materials.	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	PROMOTING GREEN OPERATION – Environmental Targets
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group does not involve any packaging material
	A3 The Environment and Natural Resources	General Disclosure: Policies on minimising the issuer’s significant impacts on the environment and natural resources.	PROMOTING GREEN OPERATION – Enhancing Emissions Management; Optimizing Resource Utilization
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	PROMOTING GREEN OPERATION – Enhancing Emissions Management; Optimizing Resource Utilization

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



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

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



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

“Comply or explain” Provisions		General Disclosure and Key Performance Indicators	Corresponding Reporting Location
		B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	STRENGTHENING OPERATION COMPLIANCE – Privacy Protection and Information Security
	B7 Anti-corruption	General Disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Relating to bribery, extortion, fraud and money laundering:	STRENGTHENING OPERATION COMPLIANCE – Practice of Integrity
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	STRENGTHENING OPERATION COMPLIANCE – Practice of Integrity
		B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	STRENGTHENING OPERATION COMPLIANCE – Practice of Integrity
		B7.3 Description of anti-corruption training provided to directors and staff.	STRENGTHENING OPERATION COMPLIANCE – Practice of integrity
	B8 Community Investment	General Disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	CARING FOR EMPLOYEES AND SOCIETY – Building a Beautiful Homeland
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	CARING FOR EMPLOYEES AND SOCIETY – Building a Beautiful Homeland
		B8.2 Resources contributed (e.g. money or time) to the focus area.	CARING FOR EMPLOYEES AND SOCIETY – Building a Beautiful Homeland



INDEX TABLE OF THE SASB STANDARD

Topic	Accounting Metric	Unit of Measure	Code	Corresponding Reporting Location
Energy Management	<ul style="list-style-type: none"> – Total energy consumed – percentage grid electricity – percentage renewable 	GJ %	HC-DY-130a.1	PROMOTING GREEN OPERATION – Optimizing Resource Utilization
Waste Management	Total amount of medical waste, percentage <ul style="list-style-type: none"> – incinerated – recycled or treated – landfilled 	t %	HC-DY-150a.1	PROMOTING GREEN OPERATION – Enhancing Emissions Management
	Total amount of: (1) hazardous and (2) nonhazardous pharmaceutical waste, percentage incinerated <ul style="list-style-type: none"> – recycled or treated – landfilled 	t %	HC-DY-150a.2	The business of the Group does not involve the generation of wastes
Patient Privacy & Electronic Health Records	Description of policies and practices to secure customers' protected health information (PHI) records and other personally identifiable information (PII)	–	HC-DY-230a.2	STRENGTHENING OPERATION COMPLIANCE – Privacy Protection and Information Security
Management of Controlled Substances	Description of policies and practices to manage the number of prescriptions issued for controlled substances	–	HC-DY-260a.1	IMPROVING MEDICAL SERVICE QUALITY – Ensuring Medical Safety
Pricing & Billing Transparency	Description of policies or initiatives to ensure that patients are adequately informed about price before undergoing a procedure	–	HC-DY-270a.1	IMPROVING MEDICAL SERVICE QUALITY – Enhancing Patient Experience
	Discussion of how pricing information for services is made publicly available	–	HC-DY-270a.2	IMPROVING MEDICAL SERVICE QUALITY – Enhancing Patient Experience

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

