



2023

Corporate Social Responsibility Report
Zhonghong Pulin Medical Products Co., Ltd.





About This Report

This is the second Corporate Social Responsibility Report disclosed by Zhonghong Pulin Medical Products Co., Ltd. Based on the principles of standardization, transparency, objectivity, and comprehensiveness, the report presents stakeholders with the social responsibility practices and performance of Zhonghong Medical in the aspects of operation, environment, society, and charity.

Basis of Preparation

This report is prepared according to the *Guidelines for Corporate Social Responsibility of Listed Companies Listed on Shenzhen Stock Exchange* and the *No. 2 Guidelines on Self-regulation of Listed Companies Listed on Shenzhen Stock Exchange - Standardized Operation of Listed Companies on the ChiNext Board*, and with reference to the *GRI Sustainability Reporting Standards* (GRI Standards) issued by Global Sustainability Standards Board (GSSB) and the *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises* (CASS-ESG 5.0) issued by the Chinese Academy of Social Sciences. It also draws on the ESG topics required by Wind ESG rating.

Reporting Scope

Unless otherwise specified, the information contained herein is ranged between January 1, 2023 to December 31, 2023. For some information beyond the above time range, the report may date back to previous years or refer to later years. This report contains information on Zhonghong Pulin Medical Products Co., Ltd. and its subsidiaries and branches.

Data Source

Unless otherwise specified, the data contained herein are from the internal materials, investigation and interview records, and other relevant documents of the Company. The Board of Directors of the Company is responsible for the authenticity, accuracy and completeness of the report and assures that there is free of misrepresentations or misleading statements. The currency used in this report is RMB, unless otherwise specified.

Reference

For better expression and readability, "Zhonghong Pulin Medical Products Co., Ltd." in this report is referred to as "Zhonghong Medical", "the Company" or "we". Subsidiaries involved in this report are:

"Jiangxi Kelun Medical Devices Manufacturing Co., Ltd.", referred to as "Kelun Medical Devices";

"Jiangxi Zhonghong Pulin Medical Products Co., Ltd.", referred to as "Jiangxi Zhonghong";

"Guilin HBM Health Protections, Inc." referred to as "Guilin HBM";

"Shenzhen MedRena Biotech Co., Ltd." referred to as "MedRena".

Branches involved in this report are:

"Tangshan No.1 Branch of Zhonghong Pulin Medical Products Co., Ltd.", referred to as "the First Tangshan Branch";

"Tangshan No.2 Branch of Zhonghong Pulin Medical Products Co., Ltd.", referred to as "the Second Tangshan Branch";

"Tangshan No.3 Branch of Zhonghong Pulin Medical Products Co., Ltd.", referred to as "the Third Tangshan Branch";

"Tangshan No.5 Branch of Zhonghong Pulin Medical Products Co., Ltd.", referred to as "the Fifth Tangshan Branch";

"Tangshan No.6 Branch of Zhonghong Pulin Medical Products Co., Ltd.", referred to as "the Sixth Tangshan Branch";

"Tangshan Color Printing and Packaging Branch of Zhonghong Pulin Medical Products Co., Ltd.", referred to as the "Color Printing and Packaging Branch".

Access to This Report

Chinese and English versions of this report can be downloaded from the official website of Zhonghong Medical (www.zhonghongmedical.com). In case of discrepancies between two versions, the Chinese version shall prevail.



Contents

About This Report	01
Message from the Chairman	04
About Zhonghong Medical	06
Data 2023	11
ESG Governance	12
Spotlight	16
Making Healthcare Accessible and Gloves for Health	
GRI Content Index	62
Outlook for 2024	65
Feedback Form	65

1	Ingenuity Supports Excellent Quality	20
	Driving R&D via the Strength of Innovation	22
	Upgrading Quality Through Lean Management	23
	Ensuring Supply Through Responsible Procurement	24
	Offering Sincere Services by Putting Customers First	27

2	Green Medical Products Guarantee a Beautiful Future	28
	Standardizing Environmental Management	30
	Saving Resources for Sustainable Operations	32
	Preventing and Addressing Pollution to Safeguard the Ecology	35
	Practicing Green Operation to Realize the Sustainable Development	37

3	People Foremost Unites Efforts from Employees	38
	Protecting Rights and Interests Based on Equality and Inclusion	40
	Protecting Occupational Health and Securing Work Safety	42
	Empowering Development for Common Growth	44
	Caring Employees for Joint Progress	46

4	A Culture of Giving Back Promotes Well-being	48
	Embracing Strategic Cooperation for Win-win Results	50
	Engaging in Charity for Inclusive Health	52

5	Stable Operation Underpins the Corporate Foundation	54
	Improving Governance for Stable and Sustained Development	56
	Pursuing High-Quality Development and Forging Ahead with Due Diligence	58
	Adopting Digital Governance to Parallel Quality and Efficiency Improvement	60
	Keeping Anti-Corruption and Clean Governance	61

Message from the Chairman



Achievement grows from commitment!

The year 2023 marks the beginning of exploring a Chinese path to modernization and a critical stage in marching towards the second centenary goal. Dedicated to the aspiration of "sincerity and excellence for ambitious goals", Zhonghong Medical adapts to the rapidly evolving era, firmly serves the Health China strategy, and sticks to the path of self-dependent innovation. We also speed up efforts to foster new quality productive forces, stimulate new momentum for high-quality development, and take sustainable development as the core growth driver. Together with all stakeholders, we are creating a better future for human health.

We adopt clean operations for a green ecology

Zhonghong Medical experiments with ways to effectively combine ecological protection and industrial development and closely follows the threats and opportunities brought by climate change. We are steadfast in delivering the concept that "lucid waters and lush mountains are invaluable assets" in the new era. Therefore, we efficiently promote green and low-carbon production, accelerate the building of green factories, and work for the green and low-carbon transformation of production bases, which lays the foundation for green and high-quality development.

We concentrate on innovation and sci-tech self-reliance

Guided by a "high-end and differentiated" product strategy, Zhonghong Medical focuses on market changes and the latest niche and strengthens original and pioneering research, followed by accelerated efforts to translate innovation into productivity. We continue to sharpen our core competitiveness through enhanced research and innovation, high-quality products and services, and diversified product lines. We have been selected for the list of "creating the world-class specialized and sophisticated model enterprises".

We remain committed to our original aspirations and missions

Putting social responsibility as our primary first responsibility, Zhonghong Medical integrates sustainability concepts into business strategies and processes. We calibrate our way forward following prudent, compliant, and responsible business behavior and put our business into the general context of national development. Working with all stakeholders to promote fair and sharing health services, we contribute to an industrial ecology of integrity and win-win outcomes.

Going forward, we will bear our social responsibility and brand mission, offer better health resources and services, foster commercialization competitiveness, and make concerted and intensive efforts towards the goal of "becoming the future-leading smart Zhonghong Medical and a trustworthy century-old enterprise."

Our previous success foresees future progress.

Sang Shujun, Chairman

|| About Zhonghong Medical

Company Profile

Zhonghong Pulin Medical Products Co., Ltd. ("Zhonghong Medical") was established in 2010, a core member of Xiamen ITG Holding Group Co., Ltd. (one of Fortune Global 500 companies). Zhonghong Medical is engaged in the research and development, production and sales of high-quality disposable health protection products, medical sterile equipment, comprehensive life support solutions and other medical consumables and equipment. We have three major business divisions, i.e, Health Protection, Safe Infusion, and Innovative Incubation, and five production bases in Tangshan in Hebei, Jiujiang in Jiangxi, Yichun in Jiangxi, Guilin in Guangxi, Shenzhen in Guangdong. The production base in Guangyuan, Sichuan is under construction. We have a R&D system formed by Beijing Research Institute, Shanghai Research Institute (to be built), Yichun Research Institute, Shenzhen Research Institute, Guilin Research Institute and Hainan Subsidiary. The Company is among the top 50 listed medical equipment companies in China, a national high-tech enterprise, and is selected as "creating the world-class specialized and sophisticated model enterprises". In 2023, Guilin HBM was approved as the specialized and sophisticated "little giant" firm.

Our History

2010-2014

- Our company was founded.
- We undertook the glove assets and businesses of Tangshan Zhonghong Pulin Group Co., Ltd., including the First Tangshan Branch, the Second Tangshan Branch, the Third Tangshan Branch, the Fifth Tangshan Branch, as well as Tangshan Color Printing Packaging Branch.
- Beijing Research Institute was established

2015-2020

- The Sixth Tangshan Branch was established, and the first workshop started construction.
- The Company was renamed as Zhonghong Pulin Medical Products Co., Ltd.
- The United Medical Inc was established.
- Jiangxi Zhonghong Pulin Medical Products Co., Ltd. was established.
- The first phase project of Jiangxi Subsidiary was started, and the second phase project of the Sixth Tangshan Branch was put into operation.
- Continental Medical B.V. was established.
- The Company started the IPO declaration.
- The Company started construction of Jiangxi Base Phase II.



2021

- Zhonghong Pulin Medical Products Co., Ltd. was listed on the ChiNext Board of Shenzhen Stock Exchange(SSE).
- The Company signed an agreement with Beijing University of Chemical Technology to establish the Joint Research Center for Advanced New Latex Materials.

2022

- The Company acquired Jiangxi Kelun Medical Devices Manufacturing Co., Ltd., to expand its business of safe infusion.
- Zhonghong Medical Supplies (Hainan) Co., Ltd.(Hainan Subsidiary) was established as a medical transformation and R&D platform.



2023

- The Company acquired Guilin HBM Health Protections, Inc., to develop latex gloves and condom products.
- The Company acquired Shenzhen MedRena Biotech Co., Ltd.
- The Company established Beijing Zhonghong Pulin Reproductive Medical Technology Co., Ltd.

Corporate Culture

Delving into healthcare industry, Zhonghong Medical is committed to becoming a digital modern enterprise benefiting all stakeholders and leading the industry's future development. We strive to become a healthy and sustainable century-old enterprise that is trusted by customers, employees, partners, shareholders and the society. Led by the corporate mission, the Company builds a career platform to fulfill employees' dreams of career development and personal growth. We provide the first-class products and services to help the customers create a healthy and quality life. We also operate for good, contributing to the healthy and sustainable development of a better society and creating values for stakeholders constantly.

Corporate Vision — A future-leading smart Zhonghong Medical and a trustworthy century-old enterprise

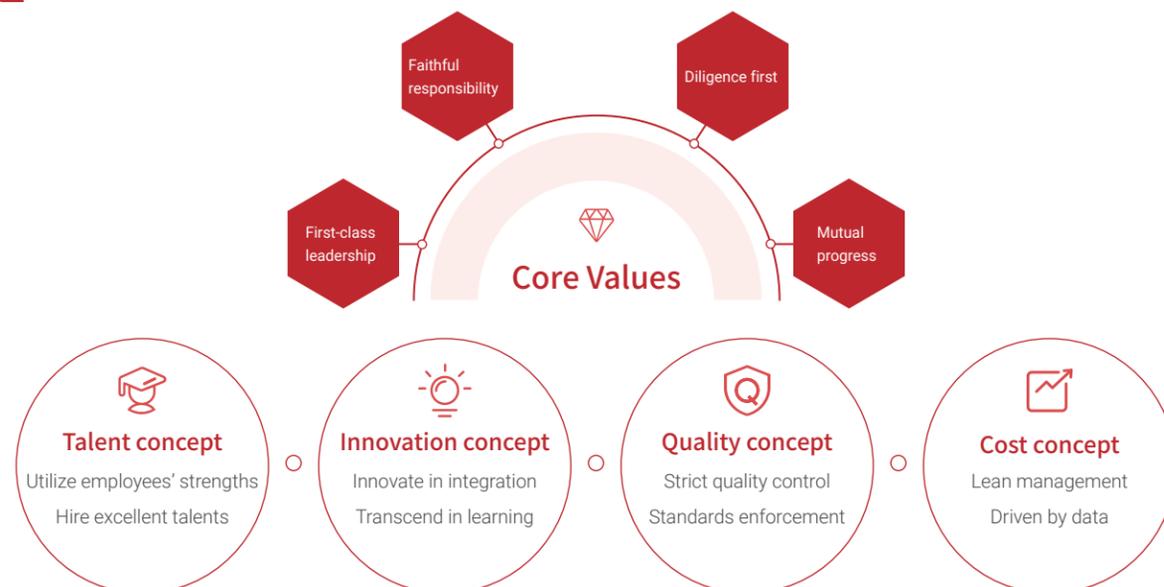
Becoming the future-leading smart enterprise

- We strive to build the industry's first-class digital and intelligent management system and operation platform, which will greatly enhance our competitiveness and operational efficiency;
- After building an R&D system that leads the industry and covers the whole country, our products and technological innovations will become stronger. With improved innovation sense and ability, we will continue to lead the market and the industry development;
- Putting people first and going beyond profitability, we are dedicated to create a positive and sincere energy field of Zhonghong Medical to benefit all stakeholders;
- When big rivers have water, the small ones are filled. We will help millions of customers start from scratch, grow in scale and go from strength to strength.

Become a trustworthy century-old enterprise

- Integrity-oriented, we strive to build long-term mutually beneficial partnerships with stakeholders, and establish deep emotional connections with customers;
- We will forge a dynamic staff team with top-notch professional competence, build a sound internal training system and talent echelon, and become the preferred development platform for excellent talents;
- Taking full advantage of mixed ownership system, we work to establish an institutional mechanism with Zhonghong characteristics to enhance the risk resistance capacity;
- Adhering to long-termism, we will steadily realize the long-term goals, expand the scale and efficiency, improve the brand and status, and become an industry-leading and sustainable century-old enterprise.

Corporate Mission — Fulfill the dream of growth for a healthy life



Awards & Honors

Zhonghong Medical ★



Creating world-class specialized and sophisticated model enterprises



Top 100 companies in China's rubber industry



Advanced certified enterprise in China's Authorized Economic Operator (AEO) system



Top 50 medical equipment companies in China in 2022-2023



2023 China health ESG outstanding company



2023 pharmaceutical industry brand list - Golden Deer Award



Outstanding case in the 2023 White Paper on ESG Practice Observation of Chinese Enterprises



Best practice in 2022 annual report performance briefing

Guilin HBM ★



Top 50 companies of Guilin in 2023



2022 Guangxi contract-abiding and credit-worthy company



Medispo medical gloves are shortlisted in the 2022 Guangxi Recommended Catalogue of Distinguished Industrial Products (Second Batch)



Zhonghong Medical is listed on the "demonstration enterprises of excellent product items in Guangxi Zhuang autonomous region" and "Guangxi Zhuang autonomous region green factories"

MedRena ★



Specialized and sophisticated small- and medium-sized enterprise



Innovative small- and medium-sized enterprise



High-tech enterprise

Data 2023

Environmental

Total investment in environmental protection	Reduction of office paper consumption	Total recyclable waste
RMB 8.92 million	70%	1,875.78 tons

Social

Total employees	Percentage of female employees	R&D investment
4,352	69%	RMB 79.10 million
R&D personnel	Accumulated patented inventions	Business scope covered by quality management system certification for four consecutive years
469	225	100%

Governance

Material ESG topics identified	Roadshows organized	Reports and announcements released on the Shenzhen Stock Exchange
21	6	215
Domestic and international exhibitions that we registered and prepared	Academic conferences in anesthesiology, nursing, and other fields attended	Extraordinary shareholders' meetings and annual shareholders' meetings
25	21	9



ESG Governance

Adhering to the ESG concept, Zhonghong Medical integrates ESG governance into its daily operations and production management, extensively conducts communication activities with stakeholders, dynamically identifies ESG issues concerned by stakeholders, and clarifies the work focus.

With great importance to the leadership of the Board of Directors in ESG management, we organize and lead departments to improve systems and promote information disclosure on key ESG issues, continuously optimize ESG management mechanisms and processes, and systematically improve our level of ESG decision-making. Meanwhile, we focus on the forefront trends of ESG, actively apply for ESG awards, and promote our excellent ESG practices through official WeChat and other means, so as to establish a responsible image.

Stakeholder communication

We put a high value on communication with stakeholders and actively listen to the expectations and demands of all stakeholders with positive responds. During the reporting period, we identified seven types of main stakeholders, including government and regulatory agencies, shareholders and investors, customers, employees, suppliers and partners, environment, and community.

Stakeholders	Issues of concerns	Ways of engagement
Government and regulatory agencies	<ul style="list-style-type: none"> Compliance with laws and regulations Response to national strategies Standardized Corporate governance Anti-corruption and cleaner governance 	<ul style="list-style-type: none"> Implementation of regulatory policy guidelines Participation in research and visits Daily supervision reports Information disclosure
Shareholders and investors	<ul style="list-style-type: none"> Stable business performance Good corporate governance Transparent information disclosure Comprehensive risk management Protection of stakeholder rights and interests 	<ul style="list-style-type: none"> General meeting of shareholders Periodic reports and information bulletins Investor research and communication meetings Roadshows and reverse roadshows Online communication platforms
Customers	<ul style="list-style-type: none"> Responsible marketing Protection of customer rights and interests Improvement of service quality Wider service channels R&D of innovative products 	<ul style="list-style-type: none"> Responsible marketing system documents Customer complaint handling Product presentation Customer discussion and return visits Official website, official Weibo, APP and other communication platforms
Employees	<ul style="list-style-type: none"> Protection of employee rights and interests Promotion of employee growth Occupational health and safety Salary and benefits Inclusion and diversity 	<ul style="list-style-type: none"> Trade union Symposiums Internal training system Performance and salary management system Trade union's cultural and caring activities
Suppliers and partners	<ul style="list-style-type: none"> Consultation on an equal footing Honesty and trustworthiness Complementary advantages Mutual benefit 	<ul style="list-style-type: none"> Exchange visits Panel Discussion Supplier evaluation Industry research
Environment	<ul style="list-style-type: none"> Energy saving and emission reduction Green manufacturing Green operation Green supply chain 	<ul style="list-style-type: none"> Implementation of energy saving and emission reduction policies Environmental data collection and disclosure Digital energy management platform Green public welfare activities
Community	<ul style="list-style-type: none"> Sudden disaster and accident response Devotion to public welfare Response to social concerns 	<ul style="list-style-type: none"> Emergency response training National thematic public welfare activities Charity fund



Materiality assessment

Based on Company's development strategies, stakeholder concerns, and industry hotspots, we conducted in-depth research and developed a database of ESG topics, with 21 identified material social responsibility topics. The materiality is prioritized by questionnaires and stakeholder interviews, and as the basis for the preparation of this report.



► Presentation of material topics

Environmental responsibility	Product responsibility	Social responsibility	Governance responsibility
<ul style="list-style-type: none"> 1 Climate change and carbon emissions 2 Use of resources 3 Waste and pollutant discharge 4 Green office 	<ul style="list-style-type: none"> 5 Product quality and safety 6 Scientific research technology and innovation 7 Medical accessibility 8 Data security and privacy protection 9 Responsible marketing 10 High quality customer service 	<ul style="list-style-type: none"> 11 Equal employment and protection of rights and interests 12 Employee training and development 13 Occupational health and safety 14 Employee care 15 Industry development 16 Supporting community-based charity 	<ul style="list-style-type: none"> 17 Corporate governance 18 Investor relations management 19 Compliant operation 20 Business ethics and anti-corruption 21 Building a responsible supply chain

Spotlight 

Making Healthcare Accessible and Gloves for Health

On April 7, 2023, World Health Day, China set the theme as "transferring high-quality medical resources to the grassroots and achieving health for all". The vision of "health for all" is to enable all individuals to live a fulfilling life in a peaceful, prosperous, and sustainable world. Over the years, centering around the protection needs of the medical industry, Zhonghong Medical has expanded the boundary of medical products, strengthened health publicity and education, and fulfilled social responsibilities. These endeavors are intended to provide affordable and sustainable medical services to all.

Resolving Thorny Issues in the Medical Industry

Medical gloves, a necessity for health professionals, have everything to do with the safety of medical staff and patients. Aiming to address challenges in the protection of medical staff, Zhonghong Medical specializes in protection products for various scenarios and fills the technological void in China, offering safe, practical, and economical medical devices through sci-tech innovation.

● Providing solutions to people allergic to latex

Since latex gloves can block microbial infections, they are widely used in laboratories in healthcare services, food services, or research institutions. Medical latex gloves are seen as the best option for surgical and other aseptic procedures. However, some healthcare professionals allergic to the proteins contained in natural latex gloves may have an allergic reaction when using such gloves.

In response to such latex allergy issues, Guilin HBM employs innovative technologies to overcome obstacles, thus creating polyisoprene gloves (PI gloves). Since the product contains no latex protein or allergen, it can better protect medical staff who are prone to allergies.

At the same time, Guilin HBM uses advanced protein removal technology to reduce the level of protein in natural latex products and develops protein non-detectable gloves to minimize allergens. Tested by Akron Rubber Development Laboratory, Inc. (ARDL) in the United States, the protein of the product is non-detectable, far below the level of 50 micrograms per square centimeter stipulated by the FDA. The gloves serve as an effective solution for medical staff with latex allergies.



Medispo polyisoprene gloves



Medispo Protein Non-detectable

● Helping interventional radiologists stay away from radiation problems

In interventional radiology, doctors are exposed to lots of X-rays every day. They have to put on bulky lead-lined garments for procedures. However, because procedures require delicate operations, they still expose their hands to radiation.

To protect interventional radiologists from radiation "attacks", Guilin HBM has developed lead-free lightweight interventional radiation protective gloves. The product is soft, lightweight, and easy to wear. Its radiation protection indexes far exceed the national standard. The gloves have passed the testing by the



The lead-free and lightweight interventional radiation protective gloves

radiation measurement station of the China Institute for Radiation Protection. After being launched, the product captures the attention of interventional radiologists at home and abroad, providing them with solid wearable protection.

Expanding our Presence and Product Categories

Reputed for product quality, Zhonghong Medical supplies the domestic market and more than 80 countries and regions such as North America, Europe, and Japan. We have been rated as V-level customers by China Export & Credit Insurance Corporation. The Company has formed a pattern of "one center, three pillars, and eight regions", providing high-quality medical products and enabling high-quality medical services for users worldwide.

In 2023, Zhonghong Medical expanded medical product categories. We improved our high-end product R&D capabilities and strategically acquired Guilin HBM Health Protections, Inc. and Shenzhen MedRena Biotech Co., Ltd. We newly increased a dozen upmarket surgical gloves such as protein non-detectable surgical gloves, extended and thickened surgical gloves, KBD surgical gloves, etc. We also introduced new product syringe pumps, infusion pumps, and infusion information collection systems to see that more medical innovative products benefit people worldwide.

Countries and regions where our products are sold

80+

The Company has set up subsidiaries in Beijing, Hong Kong, the United States, and the Netherlands, ranking among the top in the world with an annual production of

10 billion gloves

Product portfolio



Health protection

- Medical examination gloves
- Medical surgical gloves
- Medical radiation protection gloves
- Non-medical protective gloves
- Condoms
- Finger cots
-



Safe infusion

- Infusion sets
- Syringes
- Indwelling needles
- Blood collection tubes
- Nasal oxygen cannula
- Sterilized connectors
- Disposable nebulizers
-



Innovative incubation

- Infusion pumps
- Syringe pumps
- Enteral nutrition pumps
- Portable analgesic pumps
- DS50 Series workstations
-

Product accessibility



Reducing the Cost of Medical Consumables

Since eight agencies including the National Medical Security Administration issued the *Guiding Opinions on Carrying out the Centralized Bulk-buying and Use of High-value Medical Consumables on an Institutionalized Basis*, the centralized bulk-buying policy has gradually curtailed the price of high-value medical consumables to a reasonable level. It reduces patients' burden and transaction costs of enterprises and better guarantees healthcare accessibility.

Leveraging our competitive strengths in product quality, production capacity, supply stability, and corporate credit, we are active in centralized bulk-buying projects, sacrificing some profits to make medical consumables more affordable so that more people can afford medical products and services.

In 2023

Safe infusion series products of Kelun Medical Devices successfully won several bids for bulk-buying projects, covering Jiangxi, Henan, Hunan, Fujian and other provinces and municipalities across the country.



When going global, Zhonghong Medical ensures fair pricing by considering the local economic development, per capita income, and health-care level, with differentiated product pricing strategies. More preferential prices are given to consumers in Africa, the Middle East, South America, and other regions to reduce their medical burden.

Publicizing Health Knowledge

Zhonghong Medical engages in a variety of academic exchanges to improve medical services. Based on the official WeChat public account, Zhonghong Medical popularizes health knowledge to raise health awareness, allowing more people to know how to protect themselves appropriately and how to use medical devices.

We participated in the 28th National Annual Conference of Anesthesiology of the Chinese Medical Association, where we showcased new anesthetic products, shared the latest research results and clinical practices with professionals, and promoted the capacity building of anesthetic services

Engaging in academic exchanges

We participated in the 27th National Operating Room Nursing Academic Exchange of the Chinese Medical Association, where we discussed in depth the latest operating room nursing issues with professionals, in combination with the Company's operating room nursing products, contributing our wisdom to improve the quality of operating room nursing

Publicizing health knowledge

- On May 5, 2023, World Hand Hygiene Day, we helped people establish a correct awareness of hand hygiene
- On June 14, 2023, World Blood Donor Day, we popularized the precautions for blood donors
- On July 28, 2023, World Hepatitis Day, we gave tips for hepatitis prevention
- On October 16, 2023, World Analgesia Day, we reminded the public to pay attention to pain and educate the public on pain diagnosis and treatment
- On December 1, 2023, World AIDS Day, we popularized HIV/AIDS prevention knowledge

01

Ingenuity Supports Excellent Quality

Regarding innovation as the driver for corporate growth, Zhonghong Medical maintains the quality concept of "Strict quality control and standards enforcement" to pursue first-class quality. Staying focused on the latest technology trends, we protect the life and health of the public, improve the supplier management system, and ensure a sustainable supply chain. By doing so, we aim to provide high-quality products and services for global customers and partners.

Alignment with the UN SDGs



Driving R&D via the Strength of Innovation

Adhering to the innovation concept of "innovate in integration, transcend in learning", Zhonghong Medical attracts highly skilled professionals, puts in place a sustainable innovation platform, and always addresses technical problems. We have trained an R&D team experienced in unique formulas, production lines, and product design to guarantee our strategic vision and the continuity of technological innovation.

Putting the protection and management of independent intellectual property rights high on our agenda, we continuously improve our production processes and have formulated the *Reward Measures for R&D Achievements*. Meanwhile, we encourage employees to apply for patents and R&D personnel to sign up for national, provincial, or municipal projects and the Company's self-invested projects to keep the Company up to date with the latest technology and the energy conservation trend. In the *New Product Development Management Measures*, we standardize the process of new product development and encourage the development and release of new products.

In 2023

R&D investment

RMB **79.10** million

R&D personnel

469

- The provincial technology innovation center platform "Hebei Medical Glove Technology Innovation Center" has passed the evaluation.
- We have developed super-durable nitrile gloves, super-soft nitrile gloves, nitrile gloves with a diamond pattern, and other products. Super-soft nitrile gloves and nitrile gloves with a diamond pattern have been manufactured.
- We have designed rubber chemical and fatigue resistance testing machines to quantify the wearability of nitrile gloves.
- We have developed automatic supplying equipment for nitrile production lines to control liquid levels automatically.

Self-developed polyisoprene condom successfully breaks the years of foreign technology

Committed to the high-quality development driven by innovation, Zhonghong Medical continues to explore and advance in the field of artificial latex materials. After several times of product development and trial production, we finally successfully produced "polyisoprene condom", breaking the long-term foreign technology. In 2023, the product obtained the Registration Certificate for Medical Device of People's Republic of China issued by the Medical Products Administration of Guangxi Zhuang Autonomous Region.

Guilin HBM tank-reactor-based polyurethane project makes an all out effort to break through the "stranglehold" key technologies

Guilin HBM intends to solve the production challenges of polyurethane condoms. Adopting water-based mold release agents innovatively, which is different from the conventional dry method of synthesis, the new wet chemical method allows the material to fully absorb water during production, thus avoiding losing water from the body after using the product. The new method is a successful attempt to end the technological monopoly possessed by foreign counterparts. In August 2023, the tank-reactor-based polyurethane project was put into production, realizing the independent production of polyurethane condom emulsion to meet the market demand for high-end polyurethane products.

Upgrading Quality Through Lean Management

Zhonghong Medical has formulated the *Internal Audit Control Procedure* and conducts internal quality audits every year to ensure the effective operation of the quality management system. We also actively cooperate with the audit and supervision of external third-party organizations, and have passed the FDA certification, CE certification, ISO 9001, and ISO 13485, and MDSAP. Our products have reached the relevant international product standards. Relying on the physical property laboratory and pinhole inspection laboratory, the Company sets up a quality group to carry out targeted inspection of products to ensure that the products comply with the relevant standards of China, the United States, Europe and other countries and regions. We carry out on-site inspections of suppliers, introduce automatic identification devices, optimize product quality manuals and control procedures to realize a whole life cycle product quality control.

In 2023, Zhonghong Medical conducted product recall simulation and product traceability simulation exercises in conjunction with foreign regulations and relevant requirements in the Company's *Control Procedures for Product Traceability* and *Control Procedures for Recall of Medical Devices* in order to continually satisfy the quality requirements of end customers. During the reporting period, there was no recall incident caused by the delivery quality of product.

In 2023

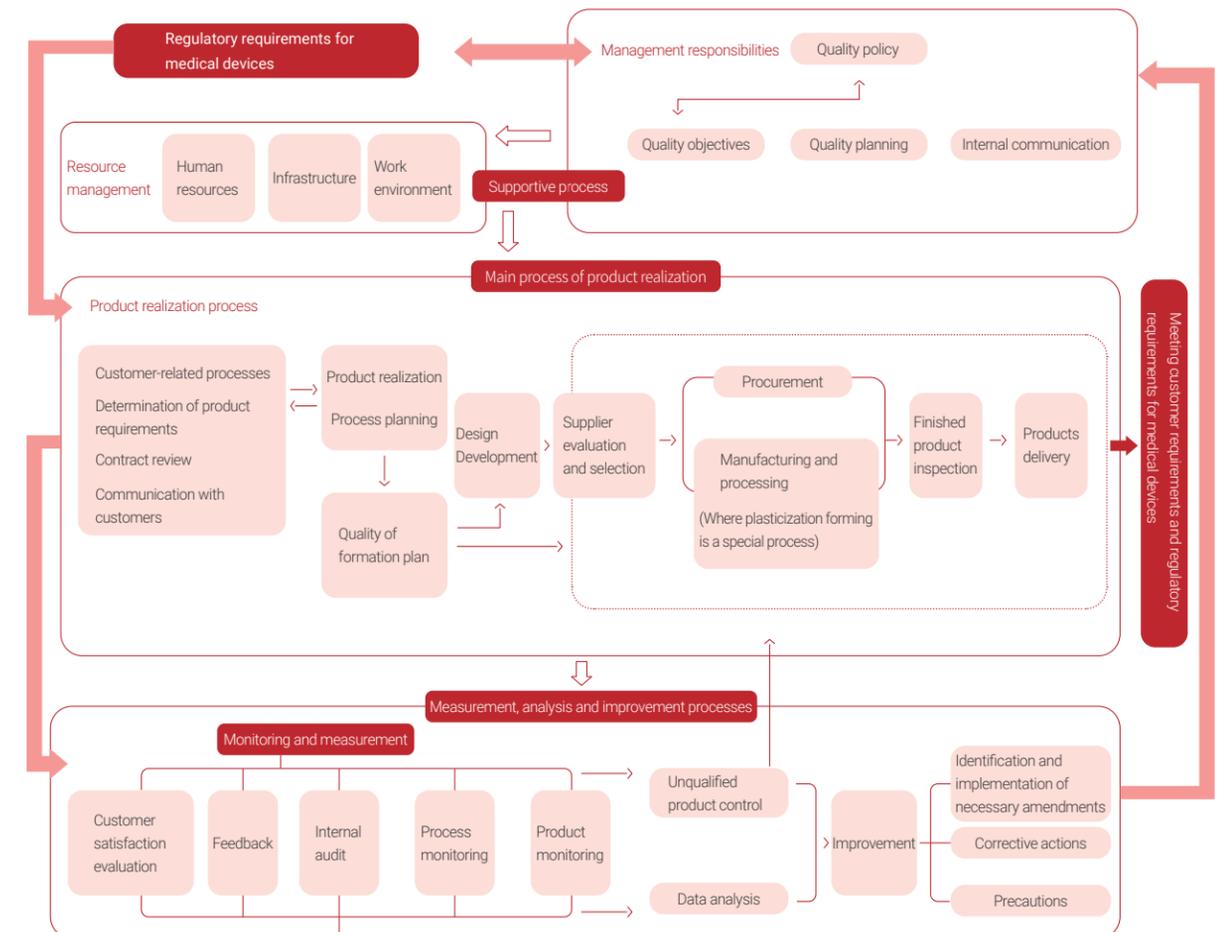
Business covered by the quality management system certification for four consecutive years

100 %

Pass rate in 68 quality-related external audits

100 %

Flow Chart of Zhonghong Medical Quality Management System



Ensuring Supply Through Responsible Procurement

Attaching great importance to the quality and sustainability of supply chain, Zhonghong Medical continuously improves the supplier management system, and raises the awareness of corporate social responsibility among our supplier partners. Through supplier training and guidance, we strengthen communication with suppliers to build a sustainable supply chain.

Supply chain management

Following the *Procurement Management System*, Zhonghong Medical ensures that the purchaser signs the *Integrity Commitment* and signs the *Supplier Code of Conduct* which includes environmental and labor requirements with suppliers. We have formulated a sustainable supply chain policy, established long-term strategic partnerships with the upstream and downstream partners, and also provide technical support to coordinate supply chain development.

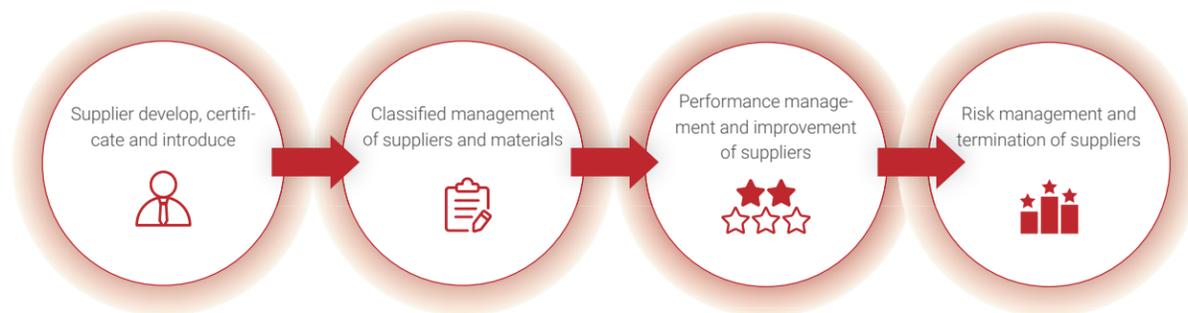
In 2023

978 suppliers, including 963 suppliers in the Chinese mainland and 15 suppliers from Hong Kong, Macao, Taiwan, and overseas (107 new suppliers)

Purchasers who have signed the Integrity Commitment
100%

In-house purchasers who have passed sustainable procurement training
100%

Supplier management process



Zhonghong Medical has formulated the *Supplier Risk Management Procedure* to identify, assess, monitor and respond to various risks that may arise from suppliers, so as to ensure that the Company can effectively manage supplier risks. Based on the management results, the Company will continue to improve the management process, enhance the quality and efficiency of management, and safeguard the stability of the supply chain.

Supplier selection and audit

Based on the technical and quality requirements of different materials, we tentatively select suppliers of raw and auxiliary materials that meet the Company's requirements. Then we send the *Supplier Survey/Evaluation Form* to examine their qualifications, product quality, technology, and environmental management capabilities. Those who pass the audit are included in the management of qualified suppliers.

Supplier review

We conduct annual comprehensive evaluations of suppliers based on supply inspection, performance, quality, and the stability of supplied materials before issuing the *Supplier Annual Audit Report*. At the same time, we conduct on-site evaluation on some suppliers and the *Suppliers On-site Evaluation Report* is formed and kept on file.

Supplier exit

Based on the comprehensive evaluation of suppliers, an evaluation report is sent to suppliers with serious supply quality and service problems. Their qualifications will be canceled after reviews.

Signing the *Suppliers Social Responsibility Audit Checklist* and the *Supplier Commitment for Compliance and Continuous Improvement of Social Responsibility* with suppliers, Zhonghong Medical requires suppliers to undertake and fulfill a series of social responsibilities to ensure their business activities comply with the principles of morality, law and fairness. With this measure, we can also safeguard employees' rights and interests, promote environmental protection and resource conservation, and actively contribute to the sustainable development of the society and the environment.



Suppliers on-site evaluation

Social responsibility of suppliers

Employees' rights and interests

- Strictly comply with national and local labor laws and regulations, international labor standards and relevant industry regulations.
- Prohibit child labor
- Prohibit forced labor
- Prohibit discrimination
- Ensure working hours in accordance with national legal standards
- Guarantee reasonable and compliant salaries and benefits

Environmental protection

- Strictly comply with national and local environmental protection laws and regulations
- Boast environmental qualification and good environmental performance to realize green supply chain management
- Establish and improve the environmental management system to ensure the systematic and long-term effectiveness of environmental protection.

Health and safety

- Strictly comply with national and local laws and regulations on health and safety
- Provide a safe working environment and necessary protective equipment
- Conduct employee health and safety training
- Develop health and safety emergency response plan and conduct regular emergency drills
- Advance the health and safety management system and improve the health and safety management level

Sustainable supply chain

Committed to building long-term and stable cooperative relationships and promoting exchanges and collaboration, Zhonghong Medical establishes an effective communication channel with suppliers, and communicates with suppliers on a regular basis, to optimize the cooperation process and improve operational efficiency.



Zhonghong Medical carries out supplier training to enhance suppliers' awareness of cooperation, promote communication and collaboration with suppliers, and facilitate the sustainable development of the supply chain. At the same time, targeting the problems and shortcomings of the suppliers during the cooperation, the Company provides specific guidance, which can effectively improve the suppliers' ability and service level, thus improving the efficiency and quality of the overall supply chain.

Supplier training

Product knowledge and technical standards training

Helping suppliers to understand the Company's product characteristics, technical specifications and quality requirements, to ensure that the products in line with the Company's standards.

Business process and operation standardization training

Introducing the Company's procurement process, order processing, and delivery requirements to help suppliers get familiar with and comply with the Company's business norms.

Quality control and continuous improvement training

Equipping suppliers with quality control methods and tools to improve product quality and productivity.

Supplier guidance



Business cooperation and communication

Sharing effective communication skills and cooperation experience to promote smoother cooperation.



Legal and compliance requirements

Emphasizing requirements for employee rights and interests, environmental protection, health and safety.



Technology innovation and R&D

Encouraging suppliers to pay attention to industry dynamics and technology development trends, sharing the Company's technological innovation achievements and experience, and guiding suppliers to carry out technological innovation and R&D.

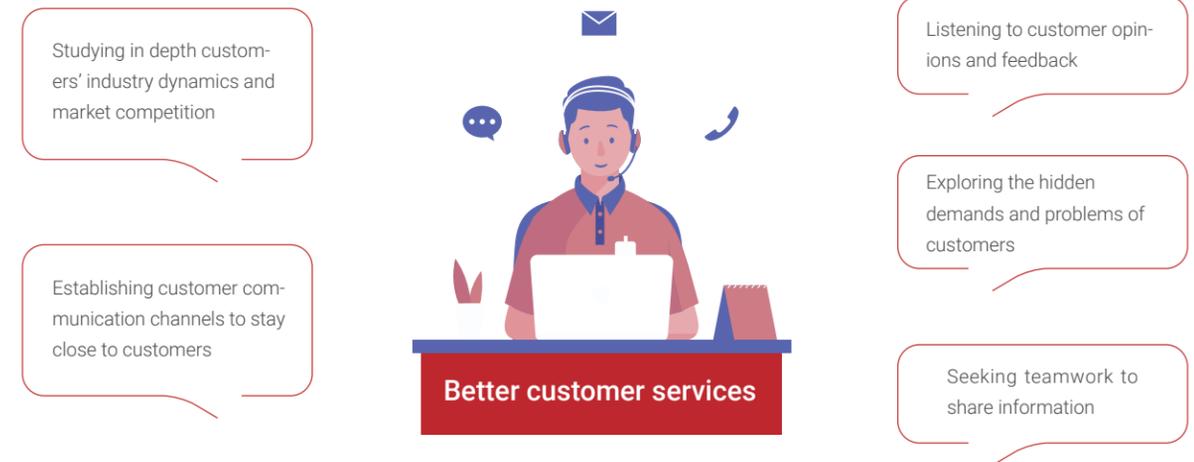
Offering Sincere Services by Putting Customers First

By providing high-quality services and solving practical problems for customers at home and abroad, Zhonghong Medical has established stable partnerships with hundreds of overseas customers while serving domestic customers wholeheartedly.

In 2023

Customer satisfaction

99.89 %



With the *Customer Feedback Control Procedure* and *Customer Complaint Control Procedure* in place, Zhonghong Medical has perfected the customer complaint handling process, listened to customer demands, and practiced responsible marketing. In accordance with *Advertising Law* and other laws and regulations, we provide detailed and true product information, enhance the compliance audit of publicity materials and promotional information, and avoid unfair marketing or misleading information about products and services to effectively protect the legitimate rights and interests of customers. In 2023, the number of product compliance awareness training doubled, and there were no major marketing violations.

In 2023

Customer complaint handling completion rate

99.10 %



02

Green Medical Products Guarantee a Beautiful Future

Zhonghong Medical fulfills the responsibility of environmental protection and acts in response to China's 30-60 Decarbonization Goal by saving energy, controlling pollution and emissions, and reducing negative environmental impact. What's more, we explore green operations, improve resource management capabilities, lead the development of green technology, and raise the public's awareness of energy conservation and environmental protection.

Alignment with the UN SDGs



Standardizing Environmental Management

Following the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on Evaluation of Environmental Effects*, *Regulations on the Management of Environmental Protection of Construction Projects*, and other laws and regulations governing environmental protection, we have formulated several environmental protection management policies and standardized the environmental management system. During the reporting period, there were no violations of laws and regulations related to environmental protection.

Environmental management system

When it comes to environmental management, Zhonghong Medical assigns designated personnel to get in charge of comprehensive environmental impact assessment and pollutant discharge permit declaration. We strengthen the operation and management of environmental protection facilities, put forward environmental emergency plans and emission monitoring plans, and regularly launch environmental supervision and inspection. We also keep updating the procedure and structure of the environmental management system for the green development of the Company.

Zhonghong Medical environmental management system



Zhonghong Medical ISO 14001 environmental management system s certification



Guilin HBM ISO 14001 environmental management systems certification



Guilin HBM recognized as a "Green Factory"

Guided by the concept of green manufacturing, Guilin HBM continues to raise resource efficiency and control pollution. With the goal of "energy saving, consumption and pollution reduction", Guilin HBM continues to optimize its measures in internal production management, equipment selection, use of raw and auxiliary materials, and waste treatment. During the reporting period, the company was granted the title of "Green Factory of Guangxi Zhuang Autonomous Region".



Measures to bring environmental risks under control

- Regular environmental monitoring:** We plan self-monitoring and entrust a third-party agency to regularly assess environmental risks. The test report is sent to relevant platforms and the ecological and environmental protection department to accept regulatory and public scrutiny.
- More investments in environmental protection.** We regularly maintain environmental protection facilities to ensure their stable operation, increase investment in environmental protection, and upgrade waste gas and wastewater treatment facilities as well we solid waste temporary storage facilities.
- Stronger emergency response:** We have formulated environmental emergency plans, which are reviewed by experts and registered. In addition, emergency rescue leading groups, working groups, and emergency rescue teams are set up to standardize emergency response procedures, conduct regular drills, and heighten awareness of environmental risk prevention.

Saving Resources for Sustainable Operations

Natural resources underpin human survival. Zhonghong Medical attaches great importance to the use of resources during business operations, advocates resource saving and recycling, and integrates the concept of sustainable development into daily production.

Resources used	Unit	2023
Plastics	ton	9.73
Paper	ton	8,884.85
Municipal water purchased	cubic meter	1,279,361.90
Groundwater used	cubic meter	551,753.20

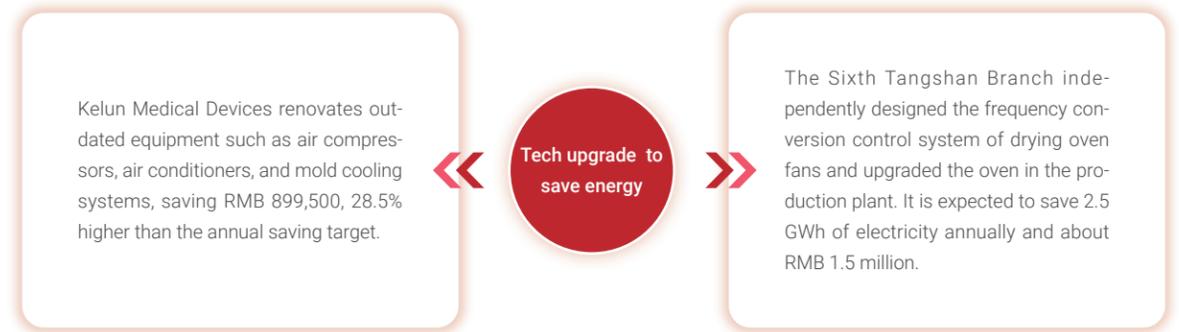
Note: The statistical caliber of Guilin HBM and MedRena is the annual data of 2023.

Energy management

Zhonghong Medical urges branches and subsidiaries to formulate the *Energy Conservation Reward and Punishment Management System*, *Energy Conservation Publicity and Training System*, and *Energy Metering Management System*. While tightening the management of energy consumption, we optimize the energy structure, reduce energy consumption and improve energy efficiency by upgrading technology. These initiatives help reduce carbon emissions throughout the life cycle of products.

Energy	Unit	2023
Natural gas	cubic meter	12,810.00
Steam	ton	4,274,985.72
Purchased electricity	kWh	130,869,938.39
Diesel fuel	liter	59,277.50
Gasoline	liter	48,487.97
Raw coal	ton	15,027.31

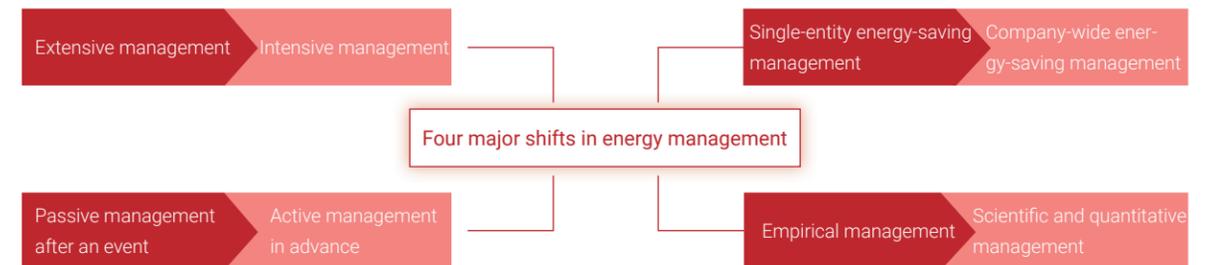
Note: The statistical caliber of Guilin HBM and MedRena is the annual data of 2023.



Zhonghong Medical digitalizes energy management by putting in place the second phase of the energy management system platform. It helps us monitor the energy consumption of all energy-demanding equipment online in real time through the Internet of Things. It also enables energy consumption data statistics, analysis, early warning and display, as well as centralized monitoring of energy production, transmission, distribution, and use, realizing data-based, visualized, intelligent, and detailed management of energy use and carbon emissions.



Zhonghong Energy Management Cloud Platform



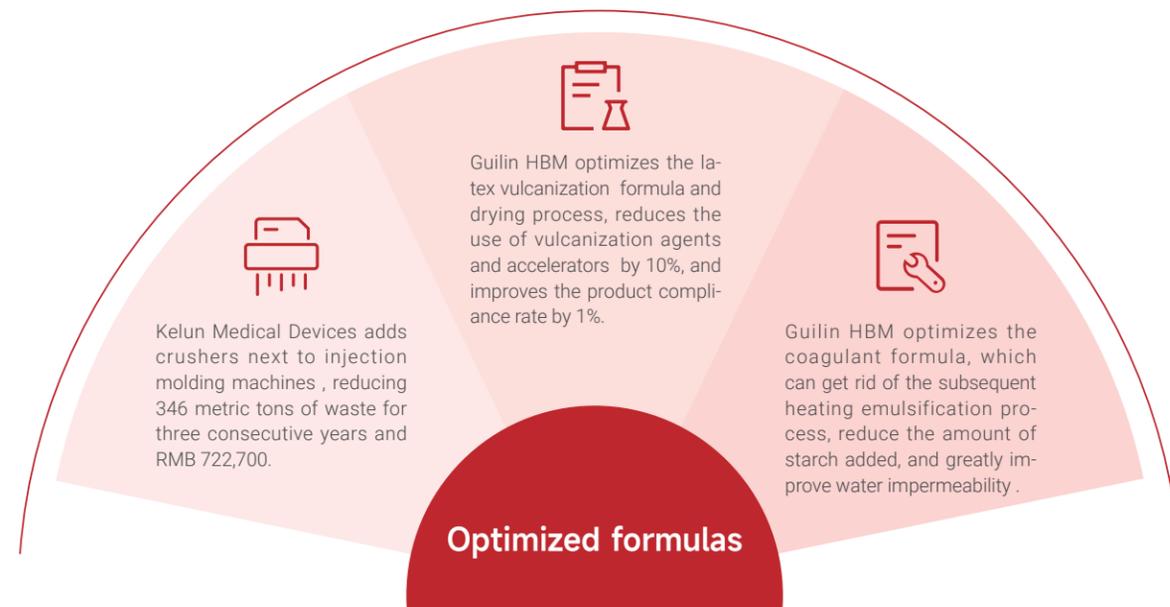
Water management

Zhonghong Medical saves water in production and operation. Based on our water-saving and consumption team, we have developed relevant policies, and make water-saving part of performance assessment to improve water management capabilities.



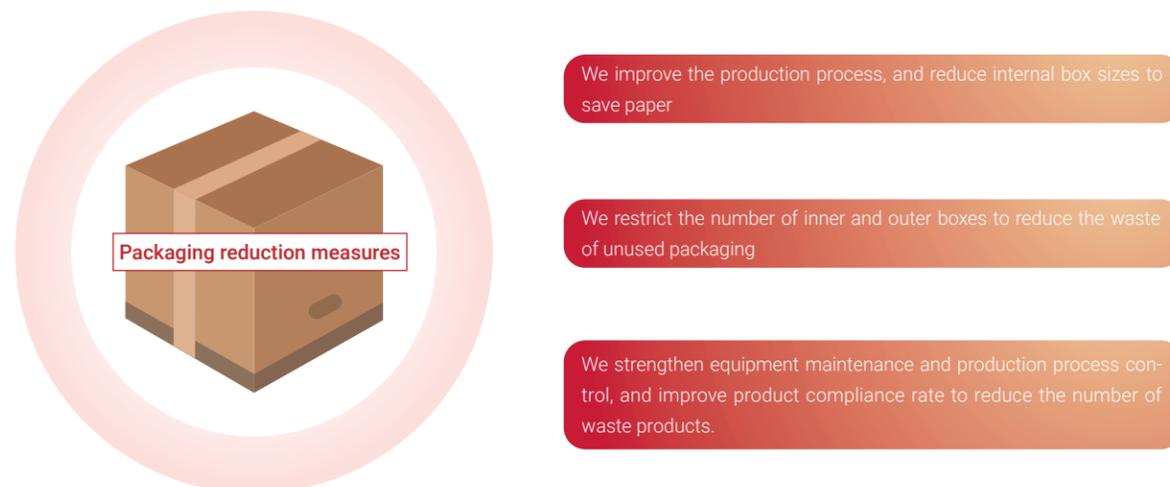
Raw and auxiliary materials management

Zhonghong Medical aims to reduce resource consumption at source. We improve the compliance rate of finished products by optimizing production processes and formulas and the precision of using raw and auxiliary materials, which are also recycled.



Packaging material management

Zhonghong Medical strictly implements national green packaging standards, designs a packaging material recycling system, replaces conventional packaging materials with eco-friendly ones, and reduces the use of packing materials through green design and manufacturing optimization.



Preventing and Addressing Pollution to Safeguard the Ecology

Zhonghong Medical strictly abides by the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*, *Law of the P.R. China on Prevention and Control of Water Pollution*, *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, and *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*. We improve the pollutant discharge management system, and ensure waste gas, wastewater, and solid waste prevention facilities are designed, built, and commissioned together with the main project. We also strengthen the maintenance and management of environmental protection equipment and guarantee that emissions from facilities meet national and local regulatory requirements.

Pollution prevention and control measures

Waste gas

Coal-fired boiler exhaust: Waste gas meets emission standards after a combination of SNCR denitration + bag-type dust removal + sodium-alkali desulfurization, and real-time detection equipment is installed at the discharge end to upload the emission data.

Volatile organic compounds: Each branch and subsidiary adopts methods such as "high-efficiency spray tower-gas-liquid separator-activated carbon adsorption-catalytic combustion and desorption", "RTO combustion, UV photolysis + activated carbon adsorption", and installs alarms at the discharge end to ensure that stable and standardized emissions.

Wastewater

We build wastewater treatment plants following EIA reports, install a real-time monitoring system at the discharge end, and accept regular monitoring by the environmental protection department.

Solid waste

Non-hazardous waste: We collectively recycle paper and recyclable materials and ask suppliers to recycle or dispose of waste packaging materials and latex in the manufacturing process.

Hazardous waste: Branches and subsidiaries sign the Hazardous Waste Disposal Contract with hazardous waste disposal companies. Hazardous waste rooms are built for temporary storage of a small amount of hazardous waste generated in the production process. Relevant information is reported to the hazardous waste management platform of the Ministry of Ecology and Environment. After regulatory approval, we cooperate with the hazardous waste disposal company to transfer and treat hazardous waste. We purchase catalytic combustion equipment, reuse activated carbon for waste gas treatment to reduce hazardous activated carbon waste, and lower the company's environmental protection costs.

Noise

We renovate the production machines to minimize noise pollution in plants and communities.

Waste management	Unit	2023
Total general solid waste generated	ton	2,468.89
Total of hazardous/medical waste generated	ton	113.60
Total hazardous/medical waste burned	ton	107.56
Total recyclable waste	ton	1,875.78

Note: The statistical caliber of Guilin HBM and MedRena is the annual data of 2023.



Conducting hazardous waste management training

Following the *Hazardous Waste Management Responsibility System*, the Sixth Tangshan Branch carried out hazardous waste management training, where the types, sources, hazards, and protection of hazardous waste generated by the company are explained in detail, with hazardous waste cases discussed. Such training also popularizes emergency response and improves the company's capability of hazardous waste management.



Guilin Hengbao Health Protection Co., Ltd. is included in the first group of "Zero Waste Cells" in Guilin

Committed to the concept that "lucid waters and lush mountains are invaluable assets", Guilin Hengbao Health Protection Co., Ltd. unswervingly follows the path of low-carbon and eco-friendly development. It restrains itself from discharging wastewater into nearby rivers or industrial exhaust into the air. In 2023, the company passed the final evaluation of the first group of "zero waste cells" in Guilin, becoming one of the first "zero-waste factories" in the city.

Further Reading

More information on pollutant discharge:
Zhonghong Medical 2023 Annual Report

Practicing Green Operation to Realize the Sustainable Development

Integrating environmental protection into its daily operations, Zhonghong Medical advocates green office and low-carbon travel to make the green concept take deeper roots in the heart of the people.



Green office

- We promote paperless office and use paperless document management systems such as OA system, electronic financial filing system, ERP system, human resource management system, and CRM sales management system.
- We advocate video conferencing to reduce carbon emissions caused by business travel.



Green travel

- We encourage employees to commute by walking, cycling, public transportation, or car-pooling.



Green culture

- We carry out activities on environmental protection publicity and education, and organize employees to plant trees and classify waste.



03

People Foremost Unites Efforts from Employees

Employees are the most valuable asset of a company. Committed to the talent concept of "utilizing employees' strengths and hiring excellent talents", Zhonghong Medical listens to the opinions and suggestions of employees and actively protects their rights and interests. Additionally, we have built a smooth career development platform for our employees and care for their occupational health, thus continuously enhancing employees' sense of belonging and cohesion.

Alignment with the UN SDGs



Protecting Rights and Interests Based on Equality and Inclusion

Zhonghong Medical continues to improve its employee management system, deepens democratic management mechanisms, and improves its compensation and benefits system, working to safeguard the legitimate rights and interests of employees.

Promoting employment equity

We strictly abide by the local laws and regulations, such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and the *U.S. Pay Transparency and Nondiscrimination Provisions*, as well as international policies on labor rights such as the *International Human Rights Conventions* and the *Universal Declaration of Human Rights*. On this basis, some labor management policies are formulated, including the *Human Resource Management Measures (2023)*, the *Employee Handbook*, and the *Employee Evaluation Management Measures*. We completed the 2023 annual review of labor protection as required. In communities where we do business, we ensure whole-process human rights protection of relevant groups and say no to child labor, forced labor, harassment, or abuse. Having passed several globally recognized CSR certification audits, we are exposed to lower risk in working conditions, health and safety, business ethics, etc. Employees' legitimate rights and interests such as their privacy, salaries, and benefits are well protected to create a fair, safe, diverse, and inclusive working environment. During the reporting period, Zhonghong Medical was recognized as a Hebei Provincial Unit of Harmonious Labor Relations without major labor disputes or human rights complaints.



WRAP Gold Certificate Compliance

In 2023

Total employees: **4,352**

Passed factory inspection conducted by **BSCI**, an organizations advocating social responsibility in the business community.

Passed the Sedex Members Ethical Trade Audit **SMETA**.

Certified by Worldwide Responsible Accredited Production **WRAP** for Corporate Social Responsibility Audits.



▶ We standardize the management of employee recruitment, induction, transfer, and resignation, and provide equal job opportunities for all applicants. On the premise of equal pay for equal work between men and women, we also strive to provide suitable positions for vulnerable groups such as disabled and vulnerable people. The labor contract signing rate reached 100% in 2023.



▶ Committed to providing competitive salaries, we tie employee compensation to their positions, job qualifications, and performance, and assure basic benefits such as salary, working hours and leave, safe labor, social insurance, and benefits. In order to establish a sound and effective incentive and constraint mechanism for the Company's management personnel and to mobilize the enthusiasm and creativity of personnel, we have formulated and implemented the *Management Measures for Compensation Assessment of Middle-level Managers*. Through the establishment of the performance system, the Company decodes the overall strategy to each department, which can ensure the realization of the Company's overall strategic objectives.

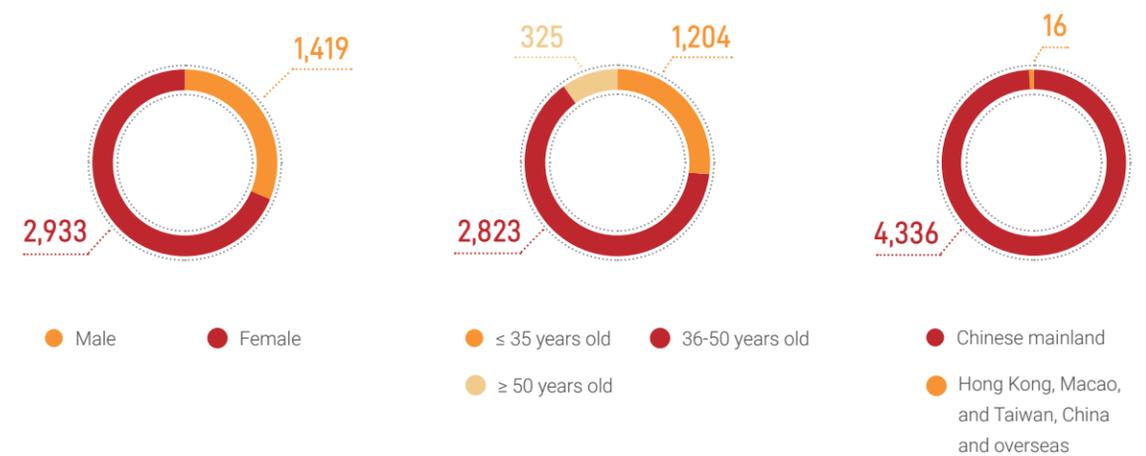


▶ Our recruitment information clearly indicates the minimum age that meets legal requirements. During recruitment process, we verify qualification certificates such as identity card and educational certificate. For reserve leaders, we organize secondary verification for their background. Necessary materials will be retained for timely review after employee induction to ensure the authenticity and verifiability of identification materials.



▶ We respect all employees equally in our recruitment and daily work, and do not compromise their career opportunities and benefits due to religious belief, nationality, race, skin color, gender, age, and other factors. Any form of discrimination is opposed. We organize irregular inspections. In case of a violation of employment regulations, we will promptly rectify, hold accountable, and compensate in accordance with laws. In 2023, the proportion of female employees reached 69%, and that of employees from ethnic minority groups reached 4%.

Number of employees divided by gender, age and geographical region



Deepening democratic communication

We respect the employee rights of freedom of association and collective negotiation. In accordance with internal policies such as the *Democratic Management System*, we continuously promote democratic management based on the form of workers congress, emphasize the role of employee democratic participation and supervision, and establish the Labor Arbitration and Dispute Mediation Committee, and a labor mediation room. Employees' problems and complaints related to human rights, performance, and promotion are collected, fed back, and promptly handled to encourage their full engagement in corporate decision-making and management. We have established the labor union that has reached a written agreement with the Company on working conditions, compensation and benefits, occupational safety, and so on, with the collective contract covering 100% employees.

Protecting Occupational Health and Securing Work Safety

Adhering to laws and regulations such as the *Law on Work Safety of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and the *Fire Protection Law of the People's Republic of China*, Zhonghong Medical has formulated and implemented the *Measures for the Management of Work Safety*, and actively prevents, controls, and eliminates occupational hazards and risks to safeguard the occupational health and safety of employees.

Sound safety management

Following internal management policies such as the *Work Safety Goal Management System*, the *Management Measures on Work Safety Goal Assessment*, the *Occupational Health Prevention and Control Plan and Implementation*, and the *Labor Protection Equipment Management System*, we have established an occupational health and safety management system, a work safety leadership team, an occupational health management organization, etc., and pass the ISO 45001 Occupational Health and Safety Management System certification to effectively ensure the occupational health and safety of employees.



Fulfilling main responsibilities

We keep improving our work safety responsibility system, and sign an annual EHS target management responsibility letter to include work safety goals in the assessment scope of middle and senior managers.



Strictly controlling safety risks

We have prepared the *Safety Risk Control and Hidden Danger Governance Manual*. Accordingly, we evaluate the hazards of occupational diseases once every three years, and conduct occupational disease hazard factor testing annually. We also conduct regular daily inspections of risk management to prevent safety risks to the maximum.



Identifying and handling hidden dangers

We have developed safety emergency plans, and also organize special inspections on electrical safety, chemical safety, special equipment safety, and pre-holiday safety. We strictly implement hidden danger identification and management measures, and enhance capabilities of emergency and hidden danger management.



Strengthening safety protection

We distribute labor protection equipment and special ones in compliance, and regularly inspect the use, maintenance, and upkeep of health equipment, protective facilities, and supplies.



Safety culture cultivation

We strengthen the safety awareness of "safety first, prevention foremost, and comprehensive management", establish a record management system of employee occupational health, and implement occupational health examinations to prevent occupational diseases. We have formulated an annual work safety training plan to invite internal and external professional lecturers to offer entrance training and three-level safety education and training for new employees. Focusing on the prevention of occupational diseases, standardized use of labor protection devices, hazardous chemicals, fire safety, special equipment and special operation safety, and emergency rescue, the Company comprehensively improves the employees' safety awareness and safety capability. We also attach great importance to the dissemination of professional safety knowledge and the Company's safety management regulations to external contractors, to ensure the implementation of the annual safety management objectives. In the meantime, we organize various culture activities on safety such as safety knowledge lectures, work safety months, and fire protection publicity months, and provide training on safety and health knowledge to all employees to safeguard work safety.





Building a healthy enterprise to ensure employee health

To meticulously implement national laws, regulations, policies, and standards related to the building of healthy enterprises and better protect and improve the physical and mental health of employees, the Company has established a leadership team on building a healthy enterprise to clarify safety management goals and main responsibilities. We also developed the *2023 Health Enterprise Work and Implementation Plan*, which outlines the measures to strengthen the replacement of old protective equipment, promotion of health knowledge, and occupational health examinations, and create a safe and healthy production and work environment. Those initiatives effectively ensure the health and safety of employees during their labor process.

Empowering Development for Common Growth

Zhonghong Medical continuously optimizes mechanisms for talent introduction, training, retention, and development, and formulates and implements internal policies such as the *Career Development Management Rules*, the *Training Management Measures*, and the *Management Measures for Performance Evaluation*. We expand talent selection channels and organize employee performance assessment. Diversified training covering various professions have been conducted according to the annual training plan to cultivate a high-quality talent team that matches the Company's strategic development. We also create a broad platform for employees to achieve career growth and personal value to help them realize their self-worth.

Optimizing talent introduction

We establish a talent pool, expand our channels for introducing talents, and focus on the promotion of the introduction of high-quality young talents. We strengthen professional training for human resources personnel, enhance our ability to identify and introduce talents, and prevent risks such as talent loss and increased employment costs by continuously promoting digital management of human resources. In terms of campus recruitment, we have maintained long-term cooperative relationships with multiple universities. In 2023, we participated in 30 campus recruiting fairs, lectures, etc., and collected nearly 3,000 resumes. For social recruitment, we provide more opportunities to expand the career development through large recruitment platforms, internal recommendations, and other channels, with a total of 627 recruiting events organized.

Diversifying training

In combination with our strategic planning, we implement the *Training Management Measures* to construct a diversified training system including new employee orientation, professional skill enhancement training, management training, etc. and covering professional themes such as corporate culture, product quality, equipment use, work safety, and compliance sales, with continuous optimized training contents. At the same time, we have established an online learning platform to provide courses that meet the needs of employees in various lines and job levels, helping them quickly learn and master skills anywhere at any time. In 2023, the Company offered 37 types of training, with a total investment of nearly RMB 186,100.



On-site SOP training for handheld terminals



2023 new employee training camp

Total investment in training

RMB **325,931.34**

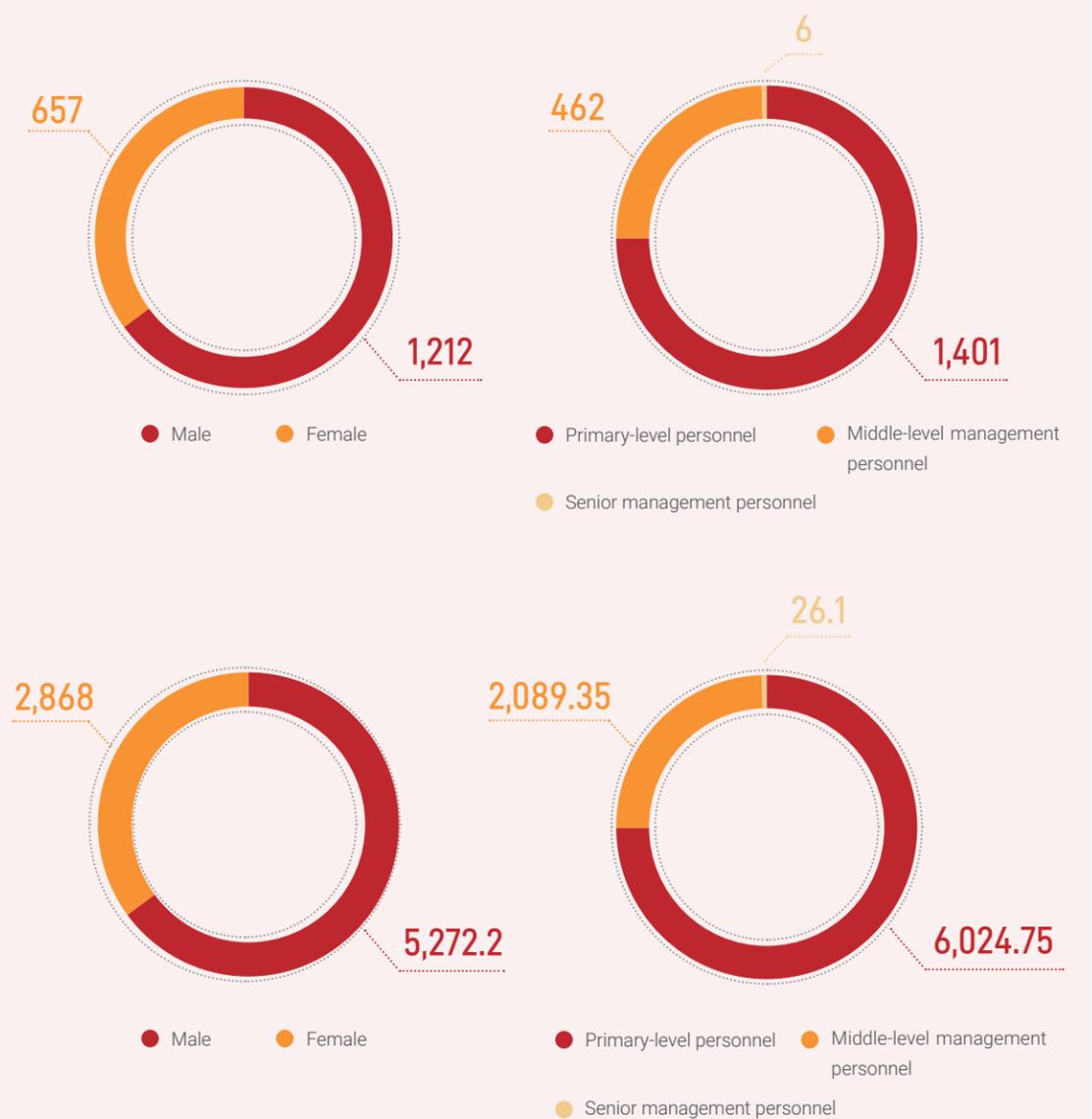
Participants

1,869

Employee training hours

8,140.2

Number of trainers and training duration divided by gender and employee type



Expanding development channels

We have established a dual career development channel that matches our development and combines with the development of employee abilities to enhance talent team building and specialized capabilities, better affirming and motivating the value of employees. We attach great importance to the selection and recommendation of outstanding young leaders. The *Job Descriptions for Subsidiaries and Departments under Zhonghong Medical* is issued to clarify job responsibilities. The *Frontline Official Selection Methods and Management on Selection and Appointment for Middle-Level Management Posts (Trial)* are prepared to strongly support talent selection. In 2023, two phases of personnel selection were completed.



|| Caring Employees for Joint Progress

Zhonghong Medical highly values employee care and assists employees in need. For example, we launch activities, such as holiday visits, care for disabled people, and care for employees in difficulties. In addition, various themed activities are held to enrich the cultural lives of employees. We strive to improve employees' sense of gain, satisfaction, and belonging.



Basic benefits for employees

We pay endowment, medical, unemployment, work injury, and maternity insurance, and housing provident fund, and provide paid annual leave, marriage and funeral leave, etc.



Life and holiday care

We provide canteens and dormitories for free, regularly organize physical examinations, and irregularly hold activities with various themes, including holiday celebrations, birthday wishes, employee visits, etc.



Care for female employees

Female employees are entitled to leave of antenatal care, childcare, and maternity.



Assistance to employees in need

We have established the President Love Fund to help employees in need.

Organizing festival gala at the Lantern Festival and the Mid-Autumn Festival



Organizing diversified group activities



04

A Culture of Giving Back Promotes Well-being

As a responsible corporate citizen, Zhonghong Medical leverages expertise and embraces open cooperation for the development of the industry. Committed to our philanthropic aspirations, we engage in volunteering programs and community volunteer services to give back to society and share what we achieve with the public.

Alignment with the UN SDGs



Embracing Strategic Cooperation for Win-win Results

Zhonghong Medical reaches out to famous universities and research institutions in China, supports industry associations to conduct academic exchanges, and helps draft industry standards. We also present ourselves in exhibitions at home and abroad to promote the high-quality development of the industry. Aiming to build a digital ecosystem, the Company establishes digital ties with partners, realizes information sharing and business collaboration, and improves the efficiency and response speed of the entire supply chain. By contributing to the building and operation of the industry's digital platform, we advance the digitalization of the industry.

The Company establishes Zhonghong Medical Research Institute, and co-founds Hebei Engineering Research Center for fabrication technology of high-performance rubber and plastic material for gloves with the North China University of Science and Technology. We also set up a practice teaching base to carry out directional training, which will not only meet our needs for high-end automation talents, but also help college students find jobs. Furthermore, we gradually establish technology cooperation with universities, such as the Chinese Academy of Sciences to support the Company's innovation in polymer performance, production processes, and automation. At the same time, we maintain close partnerships with renowned Grade III hospitals, airlines, and airports in China and make high-quality products more available through more than 200 dealers across the country.

Promoting the development of the industry

As an active participant in the activities of industry associations, Zhonghong Medical serves as a member or a member of the Board of Directors of many associations. We promote industry exchanges by organizing and participating in academic seminars, forums, exhibitions at home and abroad, etc. We are also engaged in the formulation of the national standard of Medical Gloves Safety Technology Requirements to advance the progress of the industry.



48th Arab Health Medical Expo on January 30 in Dubai



Hospitalar on May 26 in Sao Paulo, Brazil



Florida International Medical Expo (FIME) on June 21 in Miami



MEDICA on November 13 in Dusseldorf, Germany



The 17th China Growing Pharmaceutical Enterprises Development Conference on November 23



China International Medical Equipment Fair (CMEF) on May 14 in Shanghai



RUSSIAN HEALTH CARE WEEK on December 8

Engaging in Charity for Inclusive Health

Upholding the core value of first-class leadership, faithful responsibility, diligence first and mutual progress”, Zhonghong Medical is active in volunteering. For years, we have donated materials to areas hit by tsunamis, earthquakes, and floods and contributed to rescue efforts. We encourage employees to sign up for community volunteer services and carry out large-scale poverty alleviation campaigns.



Donating 3 million gloves to Zhuozhou, Hebei Province

In August 2023, an extreme downpour struck many parts of Hebei Province, causing severe flooding. In particular, Zhuozhou City was seriously flooded, jeopardizing economic activities and daily life. As soon as we were informed about the flood, we donated 3 million disposable nitrile gloves to the affected area to help medical and sanitization staff prevent occupational hazards and cross-infections.



Zhonghong Medical rushes to Zhuozhou with flood relief supplies



Engages in volunteering activities

In January 2023, the Company participated in the “Caring Volunteer Service, A New Style” children-oriented activity and arranged donations, materials, and “intangible cultural heritage” cultural courses for disadvantaged families and left-behind children in Lujia Village, Xiufeng District, Shankou Village of Tanxia Town at Lingchuan County, and Yaotou Village of Zhemu Town at Yanshan District.



Participates in a children-oriented volunteering activity

In March 2023, the Company participated in the series of activities of “Promoting the Linkage and Caring for Children and the Elderly” hosted by the Civil Affairs Bureau of Qixing District, Guilin City and made donations, receiving a Certificate of Appreciation from the Guilin Social Work Association.



Certificate of Appreciation from the Guilin Social Work Association



Participates in the activity to care for children and the elderly

05

Stable Operation Underpins the Corporate Foundation

Stable corporate governance not only provides a solid foundation for stable operations, but also is the key to enhancing overall competitiveness and practicing social responsibilities. Zhonghong Medical actively improves its business ethics management system and institutional development, effectively prevents various compliance risks, and strengthens audit supervision and internal control, taking the lead to build an image of a responsible corporate citizen.

Alignment with the UN SDGs



Improving Governance for Stable and Sustained Development

Zhonghong Medical strictly follows the laws and regulations such as the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, and the *Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange*, to establish its corporate governance structure system and comprehensively modernize its corporate governance system and governance capabilities.

Developing robust governance capacity

Based on internal policies such as the *Articles of Association*, the *Rules of Procedure of the Shareholders' Meeting*, and the *Rules of Procedure of the Board of Directors*, the governance structure comprised of the Shareholders' Meeting, the Board of Directors, the Board of Supervisors, and the Management, was established. The Board of Directors is the highest governing body of the Company and regularly reports on its work to the Shareholders' Meeting. The Board of Supervisors supervises the lawful operation of the Company and the performance of management personnel. The two organs have clear rights and responsibilities and conduct close cooperation. The Board of Directors has established specialized committees such as Strategy Committee, Audit Committee, and Remuneration Appraisal and Nomination Committee, which are responsible for the assessment, decision-making, audit, and other internal work related to the Company's development matters.

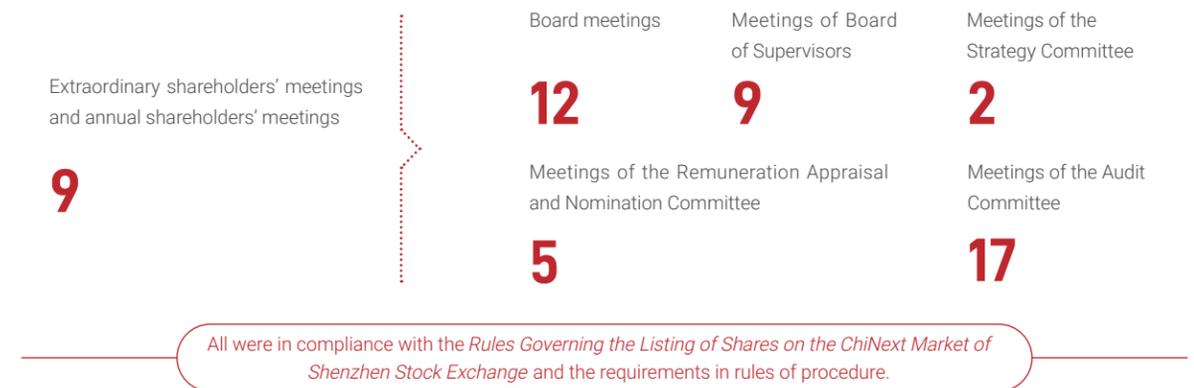
The Board of Directors consists of 9 directors, including 3 independent directors. Directors have rich management experience in the industry, finance, law, and other fields, and possess the necessary knowledge, skills, and qualities to perform their duties. They are selected based on various factors such as age, gender, educational background, and professional experience. This approach ensures scientific decision-making and governance. Independent directors express independent opinions on major issues of the Company.

Zhonghong Medical Governance Structure



Further Reading More information about our corporate governance and financial information, please read *Zhonghong Medical Annual Report 2023* or visit the Company's official website <https://www.zhonghongmedical.com/list-49-1.html>

In 2023



Protecting investor rights and interests

Valuing the protection of investor rights and interests, we implement long-term, stable, and transparent profit distribution policies, and safeguard the right to earnings of shareholders, especially minority ones. According to our *Investor Relations Management System* and *Information Disclosure Management System*, we enhance communication and unblock channels such as online phone calls, emails, meetings, and the SSE Easy Interaction platform. We carry out communication activities such as offline roadshows, investor meetings, and investor on-site visits, and proactively release important information such as corporate strategies, major issues, operational status, and financial performance. We also push the latest legal requirements and publicity activities in the "Investor Protection" section of our official website, covering topics such as comprehensive registration system, knowledge competition of investor rights, and prevention of illegal futures.

In 2023



Zhonghong Medical actively promotes the protection of investor relations

To better popularize investor education and knowledge, Zhonghong Medical launched a series of World Investor Week activities with the theme of "practicing the concept of green development and promoting sustainable development". Around themes such as registration system, understanding of ESG reports, and green investment, we combine digital means to promote investment knowledge to investors, better enhance their risk awareness, and protect their legitimate rights.

Pursuing High-Quality Development and Forging Ahead with Due Diligence

Based on the important strategic opportunities in the new development stage, Zhonghong Medical deeply implements law-based governance, actively promotes industrial development and integration, and continuously improves market competitiveness with a sound internal control system, prudent risk control, and forward-looking industrial layout.

Creating value continuously

On the basis of improving the market position of core products, Zhonghong Medical accelerates the development of new tracks and follows up on potential cooperation opportunities, committed to returning to investors through better business performance.



Strategic leadership

We completed the 2023 review and evaluation report on the development strategy and planning during the 14th Five-Year Plan period, and clarified and subdivided development plans and measures.



Reform and innovation

We completed the application and construction plan for a world-class model enterprise and a specialized and sophisticated model enterprise, and have been selected for the list of "creating the world-class specialized and sophisticated model enterprises".



Industrial investment

We formed three major business sectors consisting of health protection, safe infusion, and innovative incubation, and expanded new business lines such as high-end latex gloves, condoms, and pumps to seize development opportunities in high-potential fields.

In **2023**



Strengthen internal control and risk management

We have established a sound internal control system and formal and transparent audit procedures, and reported to the Board and the Audit Committee regularly. We dynamically assess major risks and determine prevention and control measures and solutions, and ensure that the company's internal control system is effective.

- We adhere to relevant internal control and regulatory requirements to establish a clear and effective internal control and risk management framework with clear responsibilities and effective execution. We have developed and revised internal control management policies such as the *Internal Control Manual*, the *Sales Management Measures*, and the *Customer Credit Management Measures* to consolidate the foundation of internal control management.
- We dynamically identify and respond to major and important risks that affect the realization of the company's business objectives. We pay attention to the closed-loop management of risk assessment, monitoring, early warning and response, to strengthen the ability to prevent and resolve. We conduct self-assessment on internal control at least once a year to ensure the achievement of control objectives.
- We focus on key businesses, key management processes, and management needs to conduct 9 internal audits covering logistics, sales, inventory, procurement and other business areas, implement audit rectification in place, and effectively promote the transformation and application of audit results.

Legal and compliant management

We stick to the bottom line of compliant operation with strict accordance to requirements of laws, such as the *Company Law*, the *Anti-Monopoly Law*, and the *Anti Unfair-Competition Law*, and oppose any form of unfair competition and other violations. In 2023, the Company had zero significant legal compliance risk event.

- We establish a sound compliance management system, preliminarily prepare the *Compliance Management Manual* to standardize the behavior of the Company and employees from a systemic perspective.

We strengthen compliance risk prevention and control in key areas, dynamically monitor compliance risks in key business areas such as engineering construction and bidding, and establish a joint supervision mechanism to effectively enhance the joint force of supervision.
- We develop compliance management evaluation indicators, and conduct assessment and evaluation of the operational effectiveness of the compliance management system based on daily supervision results.

We organize training with themes of compliance management, invite external lawyers to carry out popularization of legal knowledge, organize legal salons, and focus on compliance training for new employees and personnel in relevant lines. We develop compliance guidance documents to comprehensively enhance employees' legal awareness and compliance fulfillment.

Protecting intellectual property rights

We continue to implement requirements of laws and regulations such as the *Trademark Law* and the *Patent Law* to improve our intellectual property management mechanism and ensure that our trademark use meets the authorization requirements stipulated in contracts. During the reporting period, the Company was not involved in any major infringement or intellectual property disputes. In 2023, Guilin HBM successfully obtained the GB/T 29490-2013 intellectual property management system certificate.

Accumulated obtained patents by Zhonghong Medical

225

Including **60** patented inventions, **120** utility model patents, and **45** design patents

Keeping Anti-Corruption and Clean Governance

Zhonghong Medical implements the *Code of Professional Ethics for Employee* and standardizes and implements relevant disciplinary regulations of the Group to strictly prevent violations like corruptions and bribery. We publicly disclose our reporting email and hotline, encourage customers, employees, suppliers, etc. to report improper behavior to the supervision room through email, letter or face-to-face communication, and ensure the confidentiality and proper dealing with whistleblowers and reporting clues.

During important holidays and on critical moments, the Company strengthens discipline construction and creates a clean and positive atmosphere. We publish *Integrity Risk Prevention and Control Manual*, use internal emails and official notices to publish promotional materials on clean governance, and organize related warning and education activities to enhance employees' awareness of integrity practice. Prevention and control of integrity risks are strengthened in key areas with 100% of signing rate of the *Integrity Commitment Letter* by procurement personnel.

In 2023, the Company established a specialized team for the centralized rectification of corruptions in the pharmaceutical area, and carried out seven meetings on policy preaching and warning education, with 400 participants. The Company issued the *Plan for Centralized Rectification of Corruptions in the Pharmaceutical Area* with a focus on corruptions in the purchase and sales of pharmaceutical sales and functional departments. We also strengthened supervision and inspection, implemented main responsibilities, and held accountable relevant personnel with problems in accordance with relevant regulations, so as to effectively and intensively rectify corruptions in the pharmaceutical area.



Zhonghong Medical establishes a specialized team for the centralized rectification of corruptions in the pharmaceutical area.



✉ Whistleblowing email: tsjb@zhonghongpulin.cn

☎ Whistleblowing telephone: 0315-4169049

Adopting Digital Governance to Parallel Quality and Efficiency Improvement

Zhonghong Medical firmly believes that digital transformation is the only way for future development. Strictly complying with relevant laws and regulations such as the *Law on Guarding State Secrets*, the *Cybersecurity Law*, and the *Personal Information Protection Law*. We build a sound information management system to realize the optimal allocation of corporate resources and the optimized management of business processes. The Company is committed to using digital tools to improve its ESG performance, reducing industry costs and increasing efficiency through innovation, and pursuing excellence to enhance market competitiveness.

Clarifying transformation strategies

- Developing a medium- and long-term plan for the Company's digital transformation, and clarifying transformation goals, key tasks, and implementation paths.
- Establishing a digital transformation leadership team to coordinate work on digital transformation.

Enhancing digital and intellectual abilities

- Building a data-driven decision-making system, actively introducing advanced technologies such as artificial intelligence, big data, and cloud computing, and creating an integrated platform of business and finance to standardize data governance. Tapping into big data analysis technology, we extract customer needs and market trends, which lend strong support for product development and market expansion. Through advanced industrial Internet of Things, together with sensors, cloud computing, and other technologies, we achieve real-time monitoring and data analysis of manufacturing equipment to improve production efficiency and product quality.
- Building the Shuwangxing Industrial Internet Platform to realize equipment connection, data collection, remote monitoring and other functions, and improving the intelligent level of production lines.
- Intensifying the cultivation and introduction of digital talents, establishing close cooperation with leading technology enterprises and research institutions in the industry, and jointly promoting innovative development of digital transformation.

Preventing information risks

- Developing and implementing the requirements of the *Network Security System*, ensuring that customer data is desensitized and only accessible to relevant personnel, and the data system having passed the second-level certification of "National Classified Protection of Information System Security".
- Carrying out training on network information security, organizing IP audits, and ensuring strict confidentiality of sensitive information such as customer information and information data.
- Actively improving the level of network security defense, monitoring and early warning, and emergency response, building a security situation awareness platform, providing early warning for security compromise, cryptographic attacks, and other behaviors, and enhancing the proactive prediction ability of network information security.



Leveraging situational awareness/network security systems to build a network integration innovation application demonstration

In order to enhance the security and stability of the Company's network, Zhonghong Medical introduced situational awareness/network security systems in Beijing, Tangshan, Jiujiang and other places. The network security solution, based on big data and artificial intelligence technology, extracts characteristic risks, analyzes hazardous information, and evaluates security warnings based on the big data platform. Afterwards, the solution interlinks corresponding security equipment for risk disposal. It has prevented and discovered a number of potential cyber-attacks in a visual display and interactive manner. At the same time, it is equipped functions of data encryption and access control, security audit and monitoring, disaster recovery and backup, and network security situation predicting, which significantly enhances the Company's security protection capability.

GRI Content Index

Statement of use	Zhonghong Medical has reported in accordance with the GRI Standards for the period from January 1st 2023 to December 31st 2023.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosures	Location	
GRI 2: General Disclosures 2021	2-1 Organizational details	1, 6-8	
	2-2 Entities included in the organization's sustainability reporting	1	
	2-3 Reporting period, frequency and contact point	1	
	2-4 Restatements of information	1	
	2-6 Activities, value chain and other business relationships	6-8, 24-26	
	2-7 Employees	38-51	
	2-8 Workers who are not employees	24-26, 38-51	
	2-9 Governance structure and composition	56	
	2-10 Nomination and selection of the highest governance body	56	
	2-11 Chair of the highest governance body	56	
	2-12 Role of the highest governance body in overseeing the management of impacts	56	
	2-14 Role of the highest governance body in sustainability reporting	12, 56	
	2-16 Communication of critical concerns	56-59	
	2-17 Collective knowledge of the highest governance body	56	
	2-18 Evaluation of the performance of the highest governance body	56	
	2-22 Statement on sustainable development strategy	12, 56	
	2-23 Policy commitments	12, 56	
	2-24 Embedding policy commitments	12, 56	
	2-25 Processes to remediate negative impacts	12, 56	
	2-26 Mechanisms for seeking advice and raising concerns	12, 56	
	2-27 Compliance with laws and regulations	12, 56	
	2-28 Membership associations	50-51	
	2-29 Approach to stakeholder engagement	12-15	
	2-30 Collective bargaining agreements	41	
	GRI 3:Material Topics 2021	3-1 Process to determine material topics	14
		3-2 List of material topics	15
	GRI201:Economic Performance 2016	3-3 Management of material topics	12-15
		201-1 Direct economic value generated and distributed	56, 58
201-3 Defined benefit plan obligations and other retirement plans		46-47	
GRI203:Indirect Economic Impacts 2016	3-3 Management of material topics	12-15	
	203-1 Infrastructure investments and services supported	52-53	
	203-2 Significant indirect economic impacts	52-53	

GRI Standard	Disclosures	Location
GRI205:Anti-corruption 2016	3-3 Management of material topics	12-15
	205-1 Operations assessed for risks related to corruption	60
	205-2 Communication and training about anti-corruption policies and procedures	60
	205-3 Confirmed incidents of corruption and actions taken	60
GRI206:Anti-competitive Behavior2016	3-3 Management of material topics	12-15
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	59
GRI301:Materials 2016	3-3 Management of material topics	12-15
	301-1 Materials used by weight or volume	32
GRI302:Energy 2016	301-3 Reclaimed products and their packaging materials	32
	3-3 Management of material topics	12-15
	302-1 Energy consumption within the organization	32-34
GRI303:Water and Effluents 2018	302-4 Reduction of energy consumption	32-34
	3-3 Management of material topics	12-15
GRI305:Emissions 2016	303-3 Water withdrawal	32-33
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	36
GRI306:Waste 2020	3-3 Management of material topics	12-15
	306-1 Waste generation and significant waste-related impacts	35-36
	306-2 Management of significant waste-related impacts	35-36
	306-3 Waste generated	35-36
	306-4 Waste diverted from disposal	35-36
GRI308: Supplier Environmental Assessment 2016	306-5 Waste directed to disposal	35-36
	3-3 Management of material topics	12-15
GRI401:Employment 2016	308-1 New suppliers that were screened using environmental criteria	24-26
	308-2 Negative environmental impacts in the supply chain and actions taken	24-26
GRI403: Occupational Health and Safety 2018	3-3 Management of material topics	12-15
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	46-47
	401-3 Parental leave	46
	3-3 Management of material topics	12-15
	403-1 Occupational health and safety management system	42
	403-2 Hazard identification, risk assessment, and incident investigation	42-43
	403-3 Occupational health services	42-43
	403-4 Worker participation, consultation, and communication on occupational health and safety	42-43
	403-5 Worker training on occupational health and safety	42-43
	403-6 Promotion of worker health	42-43
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42-43	
403-8 Workers covered by an occupational health and safety management system	42-43	
403-10 Work-related ill health	42-43	

GRI Standard	Disclosures	Location
GRI404: Training and Educations 2016	3-3 Management of material topics	12-15
	404-1 Average hours of training per year per employee	45
	404-2 Programs for upgrading employee skills and transition assistance programs	44
	404-3 Percentage of employees receiving regular performance and career development reviews	46
GRI405: Diversity and Equal Opportunity 2016	3-3 Management of material topics	12-15
	405-1 Diversity of governance bodies and employees	40-41
GRI406: Non-discrimination 2016	3-3 Management of material topics	12-15
	406-1 Incidents of discrimination and corrective actions taken	No such case
GRI408: Child Labor 2016	3-3 Management of material topics	12-15
	408-1 Operations and suppliers at significant risk for incidents of child labor	No such case
GRI409: Forced or Compulsory Labor 2016	3-3 Management of material topics	12-15
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	No such case
GRI413: Local Communities 2016	3-3 Management of material topics	12-15
	413-1 Operations with local community engagement, impact assessments, and development programs	52-53
	413-2 Operations with significant actual and potential negative impacts on local communities	No such case
GRI414: Supplier Social Assessment 2016	3-3 Management of material topics	12-15
	414-1 New suppliers that were screened using social criteria	24
	414-2 Negative social impacts in the supply chain and actions taken	24
GRI416: Customer Health and Safety 2016	3-3 Management of material topics	12-15
	416-1 Assessment of the health and safety impacts of product and service categories	23
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No such case
GRI417: Marketing and Labeling 2016	3-3 Management of material topics	12-15
	417-1 Requirements for product and service information and labeling	25
	417-2 Incidents of non-compliance concerning product and service information and labeling	No such case
	417-3 Incidents of non-compliance concerning marketing communications	No such case
GRI418: Customer Privacy 2016	3-3 Management of material topics	12-15
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No such case

Outlook for 2024

Looking back at 2023, Zhonghong Medical adjusted its development strategy through mergers and acquisitions, and explored digital transformation to improve the quality and efficiency of green development. Going forward to the future, Zhonghong Medical will integrate ESG concepts into the Company's development strategy. We will contribute to the sustainable development by adhering to technical innovation, promoting the green transformation of industry and society, improving corporate governance, and developing new quality productive forces.

Innovation to enhance product competitiveness

Focusing on the healthcare sector, we will vigorously carry out R&D innovation, improve the efficiency of new product development, and perfect the new product development system. We will introduce "superego" foregoer to deepen coordinated innovation between the enterprises, universities, research institutes and hospitals and foster the commercialization of research findings. Aiming at enhancing the market competitiveness, we will explore and introduce new materials and new processes, and conduct strict quality control of the product. With these measures, we can enable the high-quality medical products to benefit more people.

Green development to serve the carbon peak and carbon neutrality strategy

Based on the concept of green development, we will conduct green operations, implement energy-saving and consumption-reduction reforms, and upgrade pollution control facilities. We will also promote the application of energy management system and carry out new energy utilization projects to increase the efficiency of resource utilization. Meanwhile, we will cope with climate change, contribute to China's 30-60 Decarbonization Goal, and realize the sustainable development of the Company and the society.

Mutual progress for a better future

We are committed to creating a happy workplace, caring for employees' health, empowering their development, and encouraging them to develop together with the Company. We will strengthen the communication and cooperation with suppliers and partners to provide more high-quality medical and health products and services for global customers. We are dedicated to building a harmonious society by strengthening communication with the public and carrying out volunteer activities, and helping community development.

Better governance to promote high-quality development

Focusing on long-term value, we will integrate ESG into the Company's business development at strategical level. We will adjust our business management model, strengthen compliance system and risk management system, and adhere to business ethics to ensure high-quality development with efficient governance.

Zhonghong Medical is committed to becoming a future-leading smart enterprise and a trustworthy century-old enterprise. In face of an era of changes, we will take initiative to implement Health China strategy and build a community of common health for mankind.

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