



2023 Annual Environmental, Social and Governance Report

Shanghai Aohua Endoscopy Co.,Ltd.

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MESSAGE FROM THE MANAGEMENT TEAM

Since its inception in 1994, Aohua Endoscopy has witnessed the passage of thirty years in the blink of an eye. Amidst the ebb and flow of light and shadow, the spirit of Aohua remains steadfast, unwavering and resolute, progressing from adversity to breakthroughs, steadily advancing into vast territories both domestic and international. Riding on the tide of China's rise, we are committed to pursuing the light, always guided by our mission to make endoscopy diagnosis and treatment more efficient and intelligent. We remain focused, innovative, and continuously learning, starting from clinical practice, grounding ourselves in technological innovation, and continuously enhancing product performance.

The year 2023 presents both challenges and opportunities. The global situation is fraught with turbulence and regional conflicts persist. Simultaneously, the global technological innovation has entered an unprecedentedly active period, with breakthroughs in artificial intelligence bringing expectations for further technological advancements, yet also heralding a future of increased uncertainty. Amidst this era of transformative change, our steadfast commitment to innovation, resilience, and courage in facing challenges remains unchanged. We seize opportunities, push forward with unwavering determination, and promote the vigorous development of the company.

This year, the company has increased investment in technical research and development, focusing on clinical feedback to continuously improve production technology and research innovation capabilities, gradually enhancing the core competitiveness and brand influence of our products. In order to further meet the diversified demands of the market and expand our domestic market share, the company has embraced "innovation" as the keyword, integrating innovation with professionalism, and successively launching a series of new products such as the AQ-200 Elite endoscopy system, various types of fine endoscopes, duodenoscopes, optical magnification endoscopes, and bifocal endoscopes, achieving product diversification and providing doctors with more convenient and comprehensive endoscopy solutions, playing an active role in optimizing and integrating medical resources. This year, as we deepen our core technology, we actively participate in industry exchanges, strengthen clinical transformation with endoscopy experts, promote the advancement of clinical procedures, and work with governments and medical institutions at all levels to raise public awareness of early cancer screening, further achieving the goal of early diagnosis and treatment.

As a participant in the field of medical and health, we have always been concerned about the development of human health, translating innovation into clinical diagnosis and treatment, and looking globally to expand

overseas markets, providing the world with superior performance products that meet the needs of hospitals at all levels, and injecting Chinese strength into the accessibility of medical services and the development of cutting-edge diagnostic and treatment technologies globally. We adhere to the sustainable development concept of "environmental protection, health, energy saving, and safety," seeking common growth of environmental and economic benefits, making environmental protection and energy conservation an important part of the company's sustainable development strategy, taking active actions to create a low-carbon and environmentally friendly production and operation model, reducing the impact of production and operation processes on the environment, attaching importance to the optimization of energy consumption structure, actively using clean energy, adopting new green transportation models, advocating green office initiatives, and creating a green operation environment.

In the future, we will continue to adhere to the vision of "becoming a globally influential endoscopy brand," and use excellent business performance to repay shareholders and give back to society, fulfilling the obligations of a listed company steadfastly. We will not forget our original intention, shoulder corporate social responsibility, and continue to adhere to the sustainable development strategy, promote and improve the ESG development

concept, deepen the organic integration of corporate strategy and social responsibility, promote the green and high-quality development of enterprises, work hand in hand with shareholders, governments, employees, suppliers and partners, customers, and other stakeholders, to compose a green chapter together.

ABOUT THE REPORT

Report Introduction

The “2023 Environmental, Social and Governance Report” (hereinafter referred to as “this Report”) is the first Environmental, Social, and Governance (ESG) report issued by Shanghai Aohua Endoscopy Co., Ltd., aimed at objectively and truthfully disclosing the company’s management strategies, practices, and achievements in the field of sustainable development in environmental, social, and governance to shareholders, investors, employees, customers, government, partners, and the public.

Writing Basis

This report is mainly prepared in accordance with the "Listing Rules of the Science and Technology Innovation Board of the Shanghai Stock Exchange" and the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards), aiming to continuously enhance the transparency of the company's sustainable development-related information disclosure and respond to the concerns of various stakeholders about the company's ESG management and performance.

Scope of the Report

This report covers Shanghai Aohua Endoscopy Co., Ltd., its subsidiaries, branches, and directly affiliated institutions, unless otherwise specified, consistent with the scope of the annual report.

Reporting Period

Report Release Cycle: This report is an annual report.
Reporting Period: From January 1, 2023, to December 31, 2023. To enhance the comparability and completeness of the report content, some content appropriately traces back to previous years.

Report Approval

This report was approved for release by the Board of Directors of the company on April 29, 2024. The Board of Directors of the company commits to supervise the content of the report and ensure that there are no false records or misleading statements, and takes responsibility for the truthfulness, accuracy, and completeness of the content.

Report Access

This report is published in both Simplified Chinese and English versions. In case of any discrepancy in understanding, the Simplified Chinese version shall prevail. To support environmental protection, this report is released in electronic format and can be accessed and downloaded from the Shanghai Stock Exchange website (www.sse.com.cn).

We welcome readers to contact us through the following channels. Your opinions will help us further improve this report and enhance the ESG performance of the company.

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Report Disclosure

The data and cases in this report mainly come from the company's official documents and statistical reports, and have been reviewed by relevant departments. The currency amounts mentioned in this report are denominated in RMB. Several numbers and percentage figures in this report have been rounded, so the total shown in some tables may not necessarily be the sum of the aforementioned numbers.

Abbreviations

Abbreviations	Reference
The company, Aohua Endoscopy, Aohua, We	Shanghai Aohua Endoscopy Co.,Ltd.

KEY PERFORMANCE REPORT FOR 2023

Economic indicators

During the reporting period, the company actively expanded its marketing network both domestically and internationally, broadening its coverage of hospitals at all levels and comprehensively enhancing its brand influence. Meanwhile, the company further increased investment in research and development, leveraging its operational advantages in research, technology, and quality to continuously refine and upgrade products. This ensured the consistent delivery of satisfactory endoscopic solutions to customers, garnered increased recognition from the clinical end, and consequently achieved steady growth in the company's main business. This, in turn, drove the healthy growth of various financial indicators.

The operating income

678.08 million yuan

Year-on-year growth

52.29 %

During the reporting period, the company focused on its core business with a direction of "specialization and innovation," continuously enhancing product capabilities. The company emphasized research and development, making sustained investments to strengthen endoscopic technology research and promote product iteration and upgrades to drive technological innovation. Since the launch of the AQ-300 series, the company has continuously iterated the series based on clinical feedback, enriching the variety of compatible endoscopes and enhancing product competitiveness and recognition.

Research and Development Investment

147.00 million yuan

Year-on-year growth

52.26 %

Net profit attributable to shareholders of the listed company

57.85 million yuan

Year-on-year growth

167.04 %

Net profit attributable to shareholders of the listed company excluding non-recurring gains and losses

44.49 million yuan

Year-on-year growth

361.42 %

The company adheres to standardized governance and efficient communication, aiming to create long-term and sustainable value for customers, shareholders, employees, and society. Leveraging the continued efforts on products like AQ-300, the company's brand influence is gradually enhancing, driving steady growth in operating income. Meanwhile, net profit, sales expenses, management expenses, and R&D expenses have all shown an increasing trend, essentially matching the company's revenue growth trajectory.

Environmental Indicators

Water Consumption

11,424.61 tons

Water Consumption Intensity

16.85 tons/million RMB

Energy Consumption

8,774.41 GJ

Energy Consumption Intensity

12.94 GJ/million RMB





WELCOME TO AOHUA

In 1994, Aohua Endoscopy embarked on its journey, growing against the wind. As we witness the era, we are also witnessed by it.

With self-reliance in technology as our proposition and innovation as our goal, Aohua has always focused on the field of endoscopy and is committed to promoting the popularization and innovation of medical technology. Through continuous high investment in research and development, implementation of high-quality talent

training plans, and the implementation of digital and intelligent management models, Aohua is striving to create a new highland for the development of the endoscopy field.

About Aohua

MISSION

Make endoscopy diagnosis and treatment more efficient and intelligent

VISION

Become a global enterprise, advancing endoscopic care for all

VALUE

Customer First
Continuous innovation
Sustained Growth
Results-Oriented





Company Introduction

Aohua Endoscopy Co., Ltd. is a high-tech enterprise that specializes in the R&D, production, and sales of video endoscopic equipment.

Our products, which focus on endoscopy diagnosis and treatment, include 4K UHD endoscopy systems, optical magnification endoscopes, gastrointestinal endoscopes, laryngoscopes, and bronchoscopes. Our products are widely used in clinical departments such as gastroenterology, ENT, pulmonology, the emergency room, and the ICU. Through long-term technological innovation, we have achieved breakthroughs in multiple key technologies, continuously promoting accurate diagnosis and cutting-edge scientific research.

For more details, please visit our official website and official WeChat platform.

Official website: www.aohua.com



Facebook



Twitter



Youtube

Development History

1994

Founding of Aohua in Shanghai



2005

Launched China's 1st video endoscopy system



2010

Launched VME-2800 adaptable to video bronchoscope and ENT endoscope



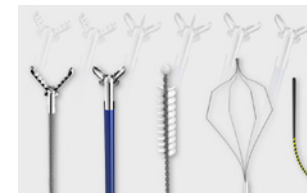
2013

Launched optical image enhancement technology - CBI



2016

Acquired an endoscopic accessories manufacturer in Hangzhou



2017

Acquired an endoscopic accessories manufacturer in Changzhou



2018

Launch full high definition endoscopy system AQ-200
Setup a sales and service center in EU



2019

New Head Quarter in Shanghai



2021

Became a Public listed company
SSE STAR A Stock 688212



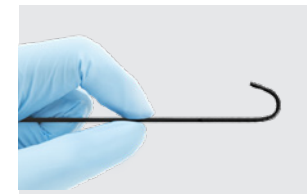
2022

Launch 4K ultra high definition endoscopy system AQ-300



2023

Launched first ultra-thin endoscope, with a distal tip diameter of only 1.8mm



Company Honors and Qualifications

National Level Qualifications

High-Tech Enterprise (First recognized in 2008)

National Specialized, Refined, Unique, and New "Little Giant" Enterprise (First recognized in 2021)

National Intellectual Property Advantage Enterprise (First recognized in 2023)

Provincial Level Qualifications

Shanghai Municipal "Specialized, Refined, Unique, and New" Small and Medium-sized Enterprise (First recognized in 2018)

Shanghai Municipal Science and Technology Little Giant (First recognized in 2018)

Shanghai Municipal Enterprise Technology Center (First recognized in 2022)

Shanghai Municipal Design Innovation Center (First recognized in 2022)

Shanghai Municipal Patent Work Demonstration Enterprise (First recognized in 2023)

2023 Shanghai Municipal Biomedical Digital Transformation Pioneer Enterprise

Deputy Director Unit of Shanghai Medical Device Industry Association



Brand Strength

Forging a High Ground in Medical Equipment
Intellectual Property

223

Patents

10

National and Provincial Enterprise Qualifications

35

Honorary Awards

Corporate Awards

- Shanghai Science and Technology Award - Technological Progress Award
- 2019 Shanghai "Best Case of Enterprise Technological Innovation" Award (Shanghai Federation of Industry and Commerce)
- 2020 National Federation of Industry and Commerce Innovative and Growth-Oriented Private Enterprises (Ranked 107th nationwide) (General Office of the All-China Federation of Industry and Commerce)
- 2021 Excellent Brand in the Chinese Medical Endoscope Industry (Organized by China Advanced Medical Equipment Conference, China Endoscopy Conference Committee, Endoscopy Expert Committee)
- 2023 China Endoscopy Annual Selection "Top Ten Endoscopy Brand Enterprises" (Organized by the China Endoscopy Conference Committee and the Endoscopy Expert Committee)
- 2023 Global "Future Industry Star Contest" Future Industry Trend Award (Project Team)

Product Awards

- Shanghai Biomedical "New Excellent Medical Devices" Product Catalog (Endoscope LED Cold Light Source)
- 2015 Shanghai High-tech Achievement Transformation Project (VME-98S Upper Digestive Tract Electronic Endoscope)
- 2016 Shanghai High-tech Achievement Transformation Project (VRL-Q30 Nasopharyngeal Electronic Endoscope)
- 2017 Shanghai Innovation Product Recommendation Catalog (AQ-100 Spectral Electronic Endoscope)
- 2019 Shanghai Innovation Product Recommendation Catalog (AQ-200 High-Definition Electronic Gastroscopy)
- 2022 Shanghai Second Batch of Innovative Product Recommendation Catalog (AC-1 Integrated Endoscope System)
- 2022 Excellent Domestic Medical Equipment List (AQ-100 Spectral Electronic Endoscope)
- 2022 Excellent Domestic Medical Equipment List (AQ-200 High-Definition Electronic Gastroscopy)
- 2023 Shanghai High-tech Achievement Transformation Project (HD-CL11 HDCL1L Electronic Colonoscope)
- 2023 Shanghai High-tech Achievement Transformation Project (AQL-200L Endoscope LED Cold Light Source)
- 2023 Shanghai First Batch of Innovative Product Recommendation Catalog (AQ-300 Ultra-High Definition System)

Industrial Design Awards

- 2015 iF Design Award (ALD)
- 2015 China Design Red Star Award (Carbon Dioxide Insufflation Pump)
- 2016 Red Dot Award (AQ-200)
- 2016 Red Dot Award (AEP-200)
- 2017 China Design Red Star Award (Endoscope Handle)
- 2018 Red Dot Award (Equine Airway Exercise Endoscopy)
- 2019 Good Design Award (AQ-200)
- 2019 Good Design Award (FHD-GT200)
- 2020 iF Design Award (AC-1)
- 2020 iF Design Award (HD-GT1)
- 2020 China Design Red Star Award (Quick Sampler)
- 2021 iF Design Award (Mobile Bronchoscopy System)
- 2021 Red Dot Award (AC-1)
- 2021 Red Dot Award (AQ-300)
- 2021 Red Dot Award (UHD)
- 2021 Red Dot Award (ALD)
- 2023 iF Design Award (Aoxiaobao- INTELLIGENT ENDOSCOPY ASSISTANCE SYSTEM)
- 2023 Shanghai Design 100+ (AQ-300)





SUSTAINABILITY MANAGEMENT

As a leading domestic medical device company, we embrace the mission of "Make endoscopy diagnosis and treatment more efficient and intelligent," continuously delving into the endoscopy industry, and accumulating rich industry and technical experience. Building upon this foundation, we integrate the concept of sustainable development into our strategy and operations, striving to promote both enterprise development and contribute to social welfare.

The Board of Directors of our company assumes the ultimate responsibility for Aohua Endoscopy's ESG management and reporting, ensuring the effectiveness of ESG management through regular supervision and review. Our management team reports regularly to the Board of Directors on the implementation and progress of ESG-related work, ensuring that the Board's ESG decisions are translated into specific projects and implemented at the operational level by various key functional departments.

Stakeholders

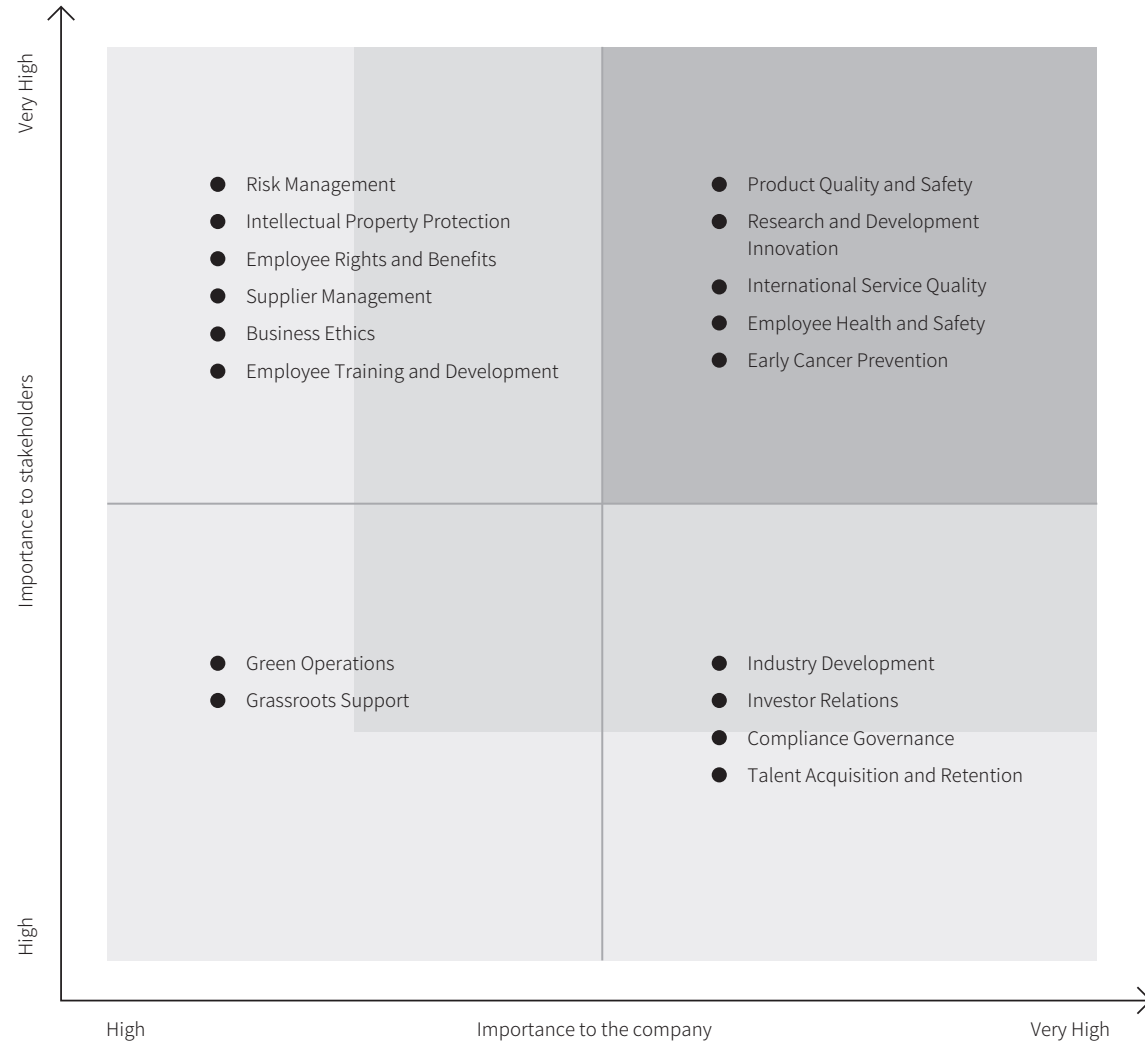
Our key stakeholders include government and regulatory agencies, shareholders and investors, customers, suppliers and partners, employees, communities, and media. We consider the identification, communication, and engagement of stakeholders as an integral part of our company's sustainable development strategy.

By establishing efficient communication mechanisms and diverse communication methods, we maintain regular interaction and communication with all stakeholders. We actively integrate the expectations and demands of stakeholders into the company's development, providing sustainable development impetus.

Stakeholders	Expectations and Demands	Communication and Response
Government and regulatory bodies	Compliance operations Economic development Environmental protection Social responsibility	Law-abiding operations Compliant tax payment Environmental management system Policy response
Shareholders and investors	Governance structure Business performance Investor relations Intellectual property rights	Compliance governance Profit distribution Information disclosure Protection of intellectual property rights
Customers	Product quality Quality service Innovative products	Quality and safety management system construction International service management Research and development innovation system
Suppliers and partners	Transparency Supplier management Risk control Win-win cooperation	Integrity closed-loop management Compliant and efficient procurement Diversified management measures Industry exchange and cooperation
Employees	Rights protection Health and safety Talent acquisition and retention Training and development	Legal and compliant employment Safety management system construction Performance setting and long-term incentives Improvement of training system
Communities and media	Information disclosure Public communication Social responsibility	Proactive information disclosure Media and public communication Grassroots assistance Early cancer prevention and treatment

Materiality Assessment

Based on the expectations of stakeholders, business scope, and sustainability status, and referencing sustainable development issues of excellent peer companies, along with the focus of the capital market, the company identified, categorized, and assessed the importance of ESG substantive issues. Subsequently, a substantive issue matrix was formed based on the importance of the issues to the company and to stakeholders.



An aerial photograph of a tropical archipelago at sunset. The sky is a vibrant mix of orange, yellow, and pink, with soft clouds. The water is a deep blue, reflecting the warm light. Numerous dark, forested islands of various shapes and sizes are scattered across the sea. The text 'CORPORATE GOVERNANCE' is overlaid in white, bold, sans-serif capital letters on the left side of the image.

CORPORATE GOVERNANCE

In this rapidly changing global environment, we remain steadfast in our commitment to compliance with regulations and the establishment of sound governance mechanisms to ensure alignment between our business activities and the overall interests of society. By actively promoting sustainable development, Aohua is striving to create a win-win future and looks forward to making positive contributions to society and the environment.

Protection of investor rights

Compliance Management

The company has established the shareholders' meeting, the board of directors, and the supervisory board, each performing its respective duties in corporate decision-making, coordinating operations, and providing effective checks and balances. As of the end of the reporting period, the actual state of corporate governance complies with the requirements of laws and regulations such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, and the Guidelines for Corporate Governance of Listed Companies. Meanwhile, Aohua Endoscopy continuously improves the company's governance structure, establishes a sound internal control system, and ensures the company's long-term stable development.

Shareholders' Meeting

The company strictly follows the provisions and requirements of laws and regulations such as the Company Law of the People's Republic of China, the Rules of the Shareholders' Meeting of Listed Companies, the Articles of Association, and the Rules of Procedure for Shareholders' Meetings, to standardize the convening, holding, and voting procedures of shareholders' meetings. It treats all shareholders openly, fairly, and impartially, pays attention to and protects the rights and interests of shareholders, and ensures that shareholders can fully enjoy all legitimate rights and interests stipulated by laws and regulations.

During this reporting period, the company convened a total of 5 shareholders' meetings, which deliberated and adopted resolutions on important matters such as the revision of the company's articles of association and restricted stock incentive plans.

Board of Directors

During the reporting period, a total of 9 board meetings were held. The company has set up nine directors, including four independent directors, accounting for 44.44% of the total number; one female director, accounting for 11.11% of the total number. The number and composition of the board of directors comply with legal requirements and the requirements of the Company's Articles of Association. The convening and holding procedures of the board of directors comply with the relevant requirements of the company's Rules of Procedure for the Board of Directors.

Furthermore, the board of directors has set up audit committees, strategic committees, compensation and assessment committees, and nomination committees, providing consultation and advice for major decisions of the board of directors, ensuring that the board of directors plays an active role in decision-making and supervision. During the reporting period, the specialized committees held the following meetings: Audit Committee (5 times), Compensation and Assessment Committee (4 times), and Nomination Committee (1 time).

Supervisory Board

The company's supervisory board consists of three supervisors. In 2023, a total of 8 supervisory board meetings were held, with 29 items submitted for deliberation. The company strictly convenes supervisory board meetings in accordance with the provisions of the Company's Articles of Association and the Rules of Procedure for the Supervisory Board. The supervisors fulfill their duties conscientiously, attend board meetings and shareholders' meetings, supervise the legality and compliance of the company's production and operation, financial operations, as well as the responsibilities of the board of directors and management, effectively oversee related party transactions, periodic reports, restricted stock incentives, and the use of raised funds, ensuring the legality and compliance of the company's decision-making and operations.

Shareholder Returns

The company's profit distribution plan comprehensively considers factors such as the industry characteristics, development stage, capital needs, and future development plans of the company. While ensuring the company's normal operation and long-term development, it also takes into account the immediate and long-term interests of the shareholders, which is in line with the company's operating and development situation.

The relevant dividend distribution policy is stipulated in the company's Articles of Association, which clearly defines the basic principles of shareholder returns planning, the specific content of shareholder returns planning, and the decision-making procedures for profit distribution. The company strictly implements the profit distribution plan stipulated in the Articles of Association and adopts a continuous and stable profit distribution policy.

Investor Relations

The company diligently fulfills its obligations for information disclosure as a listed company to safeguard the right to know of the broad investors. It has designated a secretary of the board of directors specifically responsible for information disclosure work, coordinating the company's relationship with investors, receiving shareholder visits, answering investor inquiries, strengthening communication with investors, addressing investor concerns, enhancing investor understanding and trust in the company, and fully respecting and safeguarding the interests of the broad investors.

2021 Cash Dividends

25.33 million yuan

2023 Cash Dividends

40.21 million yuan

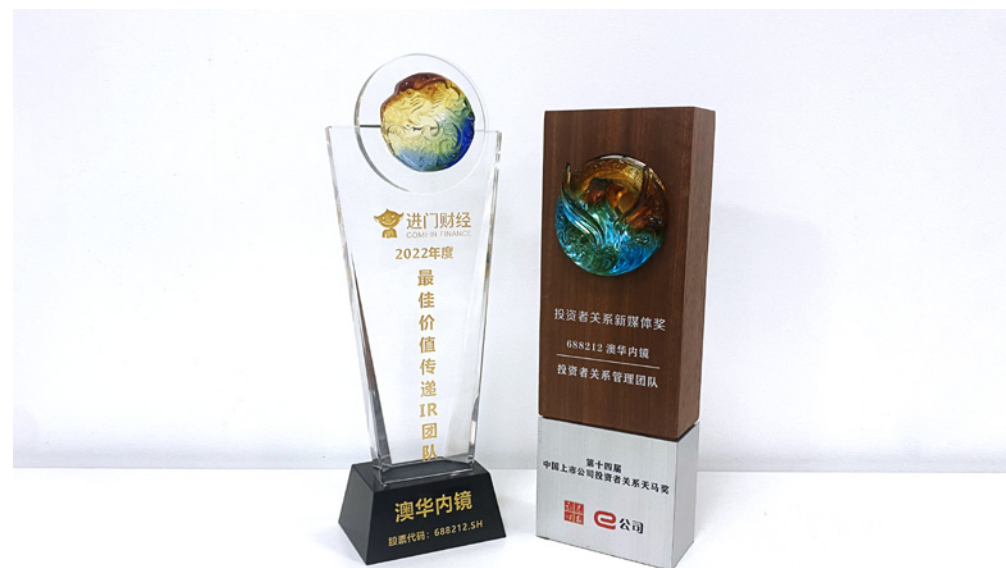
Note: The profit distribution plan for the year 2023 is subject to approval by the annual general meeting of shareholders in 2023.

Performance briefing sessions were held

3

The reply rate on the e interactive platform

100 %



Protection of intellectual property

Aohua Endoscopy regards innovation as its core competitive advantage and attaches great importance to the protection and utilization of intellectual property rights (IPR). The company strictly complies with the laws and regulations such as the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China. A hierarchical IPR management organizational structure has been established to plan, implement, inspect, and improve IPR management activities. Through system construction, the company standardizes IPR management practices, encourages invention and creation, strengthens core competitiveness, and provides important support for technological innovation and sustainable development.

In 2020, the company obtained its first Intellectual Property Management System certification and maintained the validity of the certificate through certification reviews during the reporting period. It has been honored with titles such as "National Intellectual Property Advantage Enterprise" and "Shanghai Patent Demonstration Unit." A sound IPR risk prevention system has been established, with IPR risk identification mechanisms set at key points in the entire lifecycle of products, including R&D, sales, and retirement, effectively controlling the IPR risks of company products. During the reporting period, the company did not experience any significant IPR disputes.

The list of intellectual property rights obtained as of the end of the reporting period

	New additions for the current year		Accumulated total	
	Number of applications (count)	Number obtained (count)	Number of applications (count)	Number obtained (count)
Invention patents	23	20	164	59
Utility model patents	11	9	101	98
Design patents	5	0	71	66
Software copyrights	0	0	13	13
Others	0	0	0	0
Total	39	29	349	236

The number of invention patent applications

164 items

The number of granted invention patents

59 items

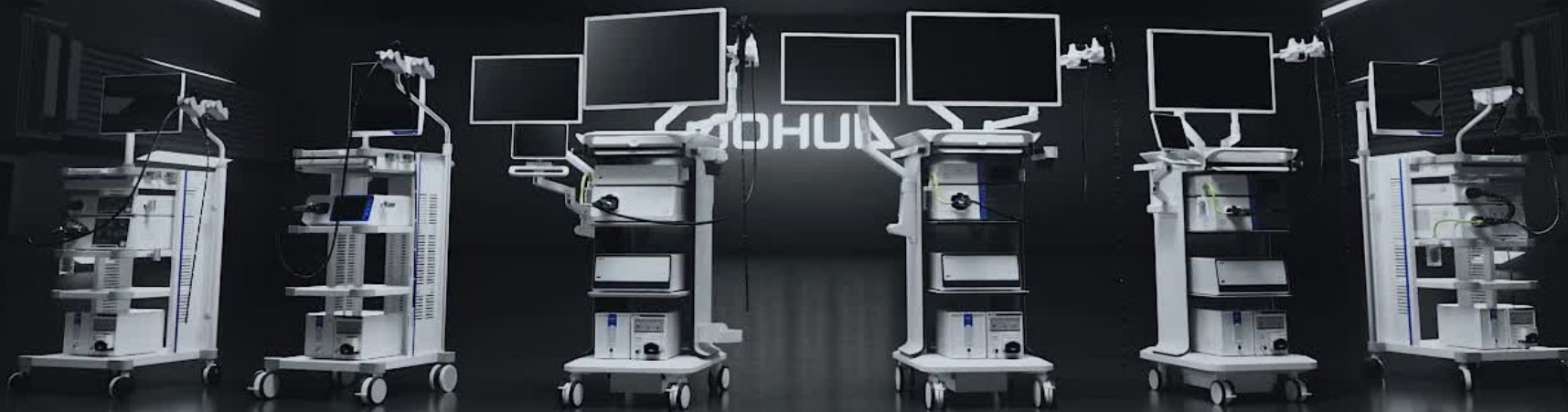
Cumulative intellectual property applications

349 items

Cumulative intellectual property grants

236 items

INNOVATION AND ENTERPRISE



Technological innovation is a vital engine driving advancements in healthcare. We firmly believe that by continuously integrating cutting-edge technology with medical practices, we can provide patients with safer and more effective treatment solutions.

In this era of rapid technological advancement, we are not only actively exploring breakthroughs, performance enhancements, and application diversity in the field of

endoscopy, but also delving into frontier technologies such as artificial intelligence and big data analytics. We are committed to contributing our efforts to the global healthcare industry.

Research and Development Mission

Innovation Concept and Mechanism

In the path of technological innovation, Aohua has always sought steady progress amidst change. Based on market competition, we explore product differentiation advantages through innovative thinking; based on clinical needs, we actively seek more efficient and safe solutions.

The innovation gene has been deeply embedded in the corporate DNA of Aohua. Through the integration of production, learning, research, and medical care, the establishment of key research and development centers, and the construction of a high-level talent echelon, Aohua has formed an innovation system that tightly revolves around clinical needs, integrating optics, mechanics, electronics, and medicine. Every breakthrough in high-resolution image processing, illumination, imaging optics, and high-precision electromechanical drive embodies the utmost innovation of Aohua. A full range of endoscopic products covering gastroenterology, respiratory, otolaryngology, hepatobiliary surgery, and urology will continue to propel the company towards the forefront of technological innovation.

Research and Development Management

Throughout our growth journey, research and development have always been the core driving force of enterprise development. Based on this, the company has cultivated a research and development team that understands clinical practice, excels in technical skills, and is proficient in research. Currently, we have formed an efficient and innovative research and development system with complete functions and a sound structure.

Research Organization: Shanghai Research Center - Endoscopy and Equipment Integrated Solutions, Beijing Research Center - Image Processing Solutions, Wuxi Research Center - Clinical Innovation Solutions.

Research Process: Strict adherence to medical device regulatory requirements and ISO quality system standards, combined with the characteristics of endoscopic products, has established a research and development procedural system including the "Product Design and Development Process".

Project Management: Based on clinical research, strict control over requirement management, technical exploration, product initiation, and system engineering.

Industrial Layout: With gastrointestinal endoscopy diagnosis and treatment as the core, actively expanding into respiratory, otolaryngology, and urology fields.

Research Talents

During the reporting period, the company's business scale continued to grow steadily, and the employee scale also continued to expand. As of the end of the reporting period, the total number of employees reached 1,092, an overall net increase of 227 people compared to the end of last year, representing a 26.24% increase. Among them, the company's research and development team further expanded, reaching 233 at the end of the reporting period, accounting for 21.34% of the total number of company employees. The main members come from well-known universities or research institutes, with professional backgrounds covering optics, machinery, automation, electronics, software, medicine, and other endoscopic equipment-related fields.

To further establish and improve the company's long-term incentive and restraint mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the company's core team, effectively integrate the interests of shareholders, company, and core team individuals, and make all parties focus on and promote the company's long-term development. In order to maintain the sustainable development career path of employees at all levels, the company combines practical situations to reasonably plan position sequences.

The total number of company employees

1,092

The overall growth compared to the end of last year

26.24 %

The total number of research and development personnel

233

As a percentage of the total company workforce

21.34 %

Product Function Innovation

Launching 17 New Fine Endoscope Models

When facing numerous pain points such as difficulty in entry, limited selection, and cumbersome operation in the clinical application of endoscopes, it is the true essence of innovation to address them with new technologies and devices. On August 8, 2023, Aohua Endoscopy officially launched its new products for the year 2023!

The 1.8mm ultra-fine endoscope marks a breakthrough from 3.6mm to 1.8mm, overcoming natural material limitations and enhancing precise operational capabilities, unlocking endless possibilities. This not only showcases the company's innovative capacity but also represents a crucial step in bridging the gap between products and clinical applications.

With a 61% larger forceps diameter ratio, it offers a more comfortable and worry-free diagnostic and therapeutic experience, breaking through conventional limitations and delivering a more efficient treatment experience. With comprehensive department coverage and precise

product positioning, including ultra-fine, fine, therapeutic, high-definition, and high-definition therapeutic scopes, it flexibly meets the diagnostic and therapeutic needs of various departments.

Enhanced image quality and extended visual capabilities are achieved through multiple staining modes, facilitating multi-dimensional improvements in image quality.

Empowered with robust functionalities, it aids in diagnosis and treatment by capturing every detail, thereby enhancing work efficiency and reducing operational fatigue.



AQ-200 Elite Innovative Endoscopy Solutions

Innovation is a key driver of medical advancement. Aohua, focusing on "innovation" as its core value, has officially launched the new AQ-200 Elite Innovative Endoscopy Solutions, integrating innovation with expertise. The standout feature of the AQ-200 Elite Innovative Endoscopy Solutions lies in its expanded compatibility range, not only applicable in gastroenterology but also in respiratory, otolaryngology, and hepatobiliary surgery.

Gastroenterology: Matching multiple scopes

Gastrosopes: With diagnostic and therapeutic capabilities, gastrosopes play a crucial role in gastroenterology. **Optical magnification endoscopes:** Equipped with a new generation of optical magnification endoscopes, capable of magnifying irregular vascular structures and surface microstructures of lesions without losing detail, thereby enhancing the accuracy of early gastric cancer screening. **Duodenoscopes:** For ERCP procedures, duodenoscopes offer robust support. The AQ-200 Elite system, built on technological innovation, seamlessly integrates with duodenoscopes.

New ultra-slim scopes: Versatile applications across multiple departments

Bronchoscopes: Paired with new bronchoscopes, the system aids in early diagnosis and treatment of pulmonary diseases.

Nasopharyngoscopes: Otolaryngology benefits from the expanded capabilities of the new AQ-200 Elite Innovative Endoscopy Solutions. With the new nasopharyngoscope, doctors can better observe lesions in the nasal cavity and pharynx.

Percutaneous cholangioscopes: In hepatobiliary surgery, the new AQ-200 Elite Innovative Endoscopy Solutions perfectly integrates with new percutaneous cholangioscopes, aiding in the detection of biliary system issues.

Powerful functionality for comprehensive performance enhancements

1080P Full HD: The new AQ-200 Elite Innovative Endoscopy Solutions, paired with gastrosopes, achieves 1080P Full HD image quality, enabling clear real-time visualization and improving diagnostic efficiency.

New spectral staining algorithm: Based on optical theory, the new system extracts features through a novel algorithm, enhancing the visual differentiation between normal tissue and lesions. With four staining modes (CBI-R, CBI-D, CBI-Q, CBI-M), doctors can identify lesions more conveniently and accurately.

The new system not only achieves seamless integration between endoscopes and platforms but also elevates overall performance to a higher level, opening up more possibilities for the medical field.



Expansion of Application Fields

UHD Series Dual Focus Endoscope

Innovation has always been a crucial theme driving progress in the field of high-end medical technology. How to break through traditional industry constraints and achieve breakthroughs in domestically-produced high-performance medical equipment?

The launch of the UHD series dual-focus endoscope developed independently by Aohua Endoscopy is officially announced, compatible with the 4K ultra-high-definition endoscope system AQ-300, presenting high-resolution image quality. The release of this dual-focus endoscope once again demonstrates innovation in the field of domestically-produced high-performance medical equipment, heralding a new chapter in the localization of Chinese national brands and further advancing the development of digestive endoscopy in China.

Empowering clinical practice according to genuine needs. The birth of domestically produced dual-focus endoscopes not only represents technological innovation and progress but also reflects Aohua's ongoing commitment to being close to clinical practice and exploring real needs. In clinical operations, how can a regular endoscope achieve clearer visualization? To effortlessly present more clinical details, the Aohua UHD series dual-focus endoscopes have emerged.

This dual-focus endoscope can be paired with the company's independently developed 4K ultra-high-definition endoscope system AQ-300, breaking free from the shackles of endoscope pixel limits to present 4K ultra-high-definition images. At a resolution of 3840*2160, the dual-focus endoscope can produce real and effective images with up to 5 million pixels, while a wider color gamut enables endoscopists to see images with colors closer to what the human eye perceives, reducing visual errors.

One-touch switching for flexible focus adjustment.

In clinical applications, the advantages of the dual-focus endoscope are prominent. Endoscopists can easily switch between detailed observation of mucosal details and overall assessment of distant situations with a simple button press. The uniqueness of the dual-focus endoscope lies in its ability to provide a wider and more comprehensive range of image information, allowing doctors to more comprehensively assess disease conditions and gain deeper insights into tissue status.

Early detection of lesions and treatment of gastrointestinal diseases are crucial, especially in cases of tumors, enabling doctors to make diagnoses more quickly. For routine endoscopic diagnostic and therapeutic operations such as polypectomy or submucosal injection, the dual-focus endoscope can provide more accurate image

guidance, enabling doctors to solve problems swiftly and accurately.

Continuation of classics with outstanding performance.

This dual-focus endoscope is also equipped with numerous classic features of Aohua, offering excellent comprehensive performance comparable to imported endoscopes. Firstly, with the assistance of optical staining CBI function, the UHD series dual-focus endoscope extracts features through a new algorithm, further increasing the visual differentiation between normal tissues and lesions, with four staining modes available - CBI-R, CBI-D, CBI-Q, and CBI-M - providing endoscopists with higher clarity for observing gastric mucosal microvessels and more details.

Secondly, the new dual-focus endoscope features 3-window illumination, with three window illumination systems at the head end providing more uniform and adequate illumination, combined with a large field of view angle to better observe the inspection area, achieving "more even lighting, brighter images." At the same time, this dual-focus endoscope not only delivers excellent image presentation but also possesses outstanding manipulation technology. When endoscopists use the lower gastrointestinal endoscope, the dual-focus endoscope can achieve synchronous transmission, adjustable softness and hardness, and flexible bending, providing endoscopists with a more flexible and convenient endoscope operation mode.



UHD Series Duodenoscope

Aohua's new UHD series duodenoscope meets high standards in product functionality and quality, serving the clinical setting better through several innovative features. Given the challenges of ERCP procedures, the new duodenoscope can be paired with the next-generation 4K ultra-high-definition endoscope system AQ-300, enabling doctors to observe and identify duodenal conditions more clearly, locate the papilla rapidly, and perform subsequent operations efficiently with higher pixel resolution.

During ERCP procedures, both physicians and patients need exposure to radiation. A larger angulation of the elevator enhances efficiency, making it easier for doctors to insert accessories accurately and reducing procedure time. Additionally, a wide field of view angle provides doctors with a better observation perspective, enabling more precise treatment. An efficient and safe disinfection method is crucial in clinical practice. Therefore, Aohua has achieved double innovation in manufacturing processes and product design.

Disposable distal cap

As a disposable consumable, the distal cap significantly reduces the risk of infection associated with reuse. The distal cap is securely attached to the endoscope tip using a double-locking connection method, preventing loosening. The destructible detachment method is a new concept introduced by Aohua, preventing reuse from the source and further blocking the risk of infection.

Embedded wire in the elevator

By reducing the contamination range while avoiding the risk of wire abrasion, the embedded wire makes cleaning and disinfection easier.



Medical Design Innovation

EndoMate Wins 2023 iF Design Award

As one of the significant events in the global design community, the 2023 iF Design Award ceremony was held in Germany on the evening of May 15th. Aohua Endoscopy's intelligent auxiliary diagnostic system, EndoMate was honored with the iF Design Award for its product design and innovative features.

Using clinical scenarios as a benchmark to create a new concept of medical aesthetics, EndoMate is the first endoscopy intelligent auxiliary diagnostic system introduced by Aohua Endoscopy. While "intelligent assistance" technology is not a new topic, mature intelligent assistance products in the medical imaging field are still relatively rare. EndoMate with its minimalist and clean design concept, starts from the clinical usage scenario. Extensive use of white creates a sense of calmness to alleviate patient anxiety during diagnosis and treatment. Black accents add a high-tech feel and enhance the sense of hierarchy. By ingeniously combining functionality and artistry, EndoMate seamlessly integrates into medical spaces. Through meticulous deconstruction, it seamlessly connects medical technology equipment and clinical environments, creating a sense of boundless beauty.

As the population afflicted with digestive tract diseases continues to grow and medical visits become lengthier, a significant amount of data accumulates in the process. EndoMate, based on a computational model inspired by the structure of the human brain, excels in uncovering the essence behind this wealth of data. Through intelligent autonomous learning, the assisting system continually evolves. Through extensive case studies and algorithm training, EndoMate has attained high-precision lesion alert capabilities, greatly alleviating the workload



of physicians. Equipped with a quality control analysis platform, the assisting system can also time, score, and provide prompts for doctors' procedures, assisting them in improving procedural accuracy.

As a stable "trainer", EndoMate helps young endoscopists learn and train more efficiently through error correction, quality control, and other means. This accelerates the accumulation of experience, which is often time-consuming for young doctors due to factors such as equipment limitations, mentorship availability, case volume, and department size. The intelligentization of medical equipment aligns with the country's innovation development strategy. With the emergence of intelligent digestive endoscopy system solutions and their gradual

implementation in medical institutions nationwide, EndoMate is expected to empower Chinese endoscopists and promote Chinese endoscopy on the global stage in the future.

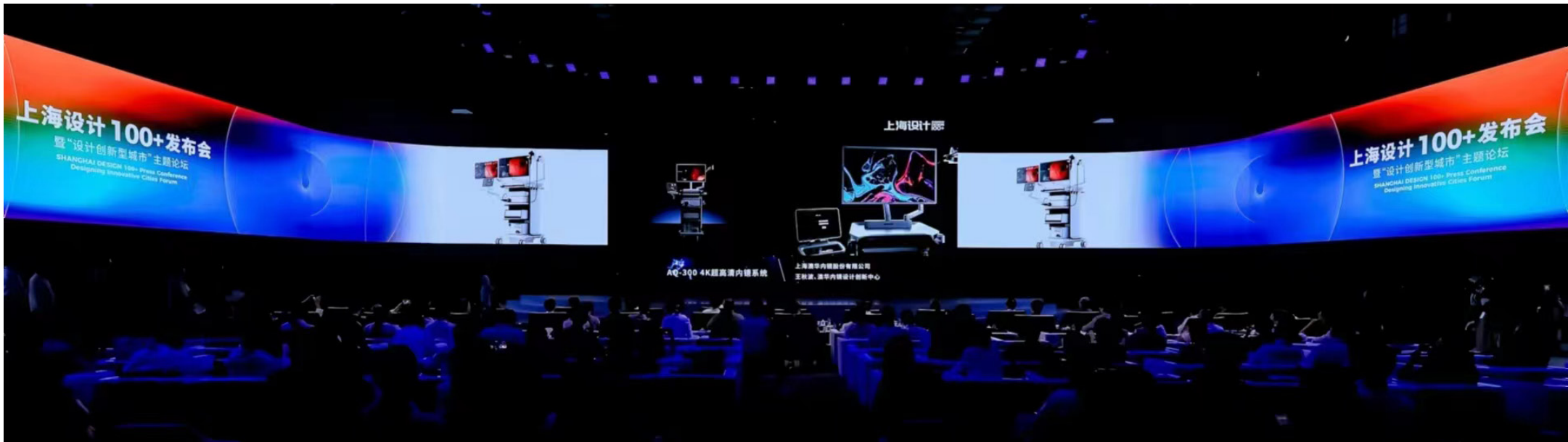
The AQ-300 was honored as part of the "Shanghai Design 100+" for the year 2023

From a small item to an entire city, design plays an indispensable role. In October 2023, the AQ-300 4K Ultra HD Endoscopy System was selected for the 2022-2023 "Shanghai Design 100+" list, showcasing Auscultation's strong capabilities in product design.

The "Shanghai Design 100+" is a platform for showcasing, exchanging, and promoting outstanding design achievements worldwide. Since joining the United Na-

tions' "Creative Cities Network" in 2021, Shanghai has been committed to empowering industrial innovation through design, creating vibrant urban spaces, optimizing public services, enhancing people's quality of life, and building the city's brand. The "Shanghai Design 100+" continuously selects, showcases, and promotes outstanding design projects from various industries based on these dimensions. This year, it attracted 2542 excellent projects from 18 countries and regions, including China, the United States, France, Italy, and Spain.

The AQ-300 4K Ultra HD Endoscopy System, with its unique beauty in medical technology, stood out in the "Empowering Industries" category of the "Shanghai Design 100+" selection, elevating the comfortable diagnostic and treatment experience to new heights.





FULFILLING RESPONSIBILITIES

In the past few decades, China's healthcare industry has experienced rapid development, but we cannot ignore the challenges we currently face. With the exacerbation of population aging and the increasing burden of chronic diseases, providing more efficient, convenient, and humane medical services is a problem we must face and think about.

The synergy of industry, academia, research, and healthcare is the only way to achieve high-quality development in the industry. Therefore, Aohua actively collaborates with hospitals and research institutions at home and abroad to explore new models, establish new scenarios, and further help improve the endoscopic skills of grassroots doctors. By promoting the concept of early cancer screening and prevention, we aim to better meet the endoscopic diagnostic and treatment needs of the entire society.

Early Cancer Prevention

The inaugural "Aohua Cup" CBI National Case Competition

Jointly organized by the "Chinese Journal of Digestive Endoscopy" and Shanghai Aohua Endoscopy Co., Ltd., aims to provide a platform for young endoscopic doctors to share clinical diagnostic experience and academic exchanges. Through the collection, selection, and display of cases, we hope to not only promote the standardized application of diagnosis and treatment but also further improve the clinical diagnosis and treatment level of gastrointestinal diseases in China. In 2023, the final of the first "Aohua Cup" CBI National Case Competition was successfully held in Shanghai.

The significance of the competition lies not only in academic presentation but also in the progress of the industry. The application of Aohua's new generation CBI spectral staining technology has revolutionary significance for endoscopic doctors. It can reveal early-stage cancers, enhance doctors' observational capabilities and diagnostic accuracy, and promote the overall level of diagnosis and treatment of gastrointestinal diseases. Behind the excellent staining function is also a reflection of the growing domestic endoscopy industry.

The concept of screening for early-stage gastrointestinal cancers is gradually popularizing, which can further drive the development of China's digestive endoscopy industry. Therefore, Aohua is committed to providing a perfect platform for communication and exchanges to promote the high-quality development of the national digestive endoscopy industry.

Aohua will invest fully in research and development, deepen clinical practice, strengthen the integration of medicine and engineering to enhance technological innovation and academic exploration, and help Chinese digestive endoscopy to reach new heights. Within a standardized training system, domestic endoscopes focus on improving the professional quality of endoscopic talents, forming an endoscopist training system that meets the diagnosis and treatment needs of the people.



Braving the New Heights of Digestive Diagnosis and Treatment

Our country is a high-incidence area for digestive tract tumors, with gastric cancer, esophageal cancer, and colorectal cancer all ranking among the top ten tumors in terms of incidence. Most patients with malignant digestive tract tumors are already in advanced stages at the time of diagnosis, resulting in poor prognoses for late-stage digestive tract cancers. The burden of disease is heavy, and the prognosis for early and advanced tumors is vastly different. It can be said that the first step in cancer prevention and control is early screening, which involves screening asymptomatic individuals through routine tests, examinations, or physical check-ups. For a long time, Aohua Endoscopy has cooperated with hospitals to organize workshops and hands-on training courses on digestive endoscopy techniques, delving into the construction of the discipline of digestive endoscopy and providing valuable learning and exchange opportunities for endoscopists, thus jointly promoting the prevention and control of early-stage digestive tract cancers.

The First People's Hospital of Hangzhou

The company collaborated with the First People's Hospital of Hangzhou to launch the "Early Detection and ESD High-level Training Program for Digestive Tract Early Cancer" program, which included in-depth discussions and analyses on lesion diagnosis, early cancer of the digestive tract, diagnosis of colorectal polyps, clinical application of digestive endoscopy, ESD surgical techniques, and case studies. Through practical experience, participants appreciated the comfortable operability and high-definition imaging performance of Aohua products, which can meet clinical diagnosis and treatment needs.



Nanjing Drum Tower Hospital

The company collaborated with Nanjing Drum Tower Hospital to hold the "Aohua Academy Nanjing Drum Tower Hospital Digestive Endoscopy Techniques Hands-on Training Course." Under a standardized training system, domestically produced endoscopes have always focused on improving the professional quality of digestive endoscopy personnel and forming an endoscopist training system that meets the needs of the people's medical treatment. Therefore, Aohua is committed to providing a perfect platform for communication and exchange to promote the high-quality development of digestive endoscopy across the country.



Rural Support

To promote the overall high-quality development of digestive endoscopy diagnosis and treatment capabilities, we aim to extend the achievements of advanced digestive specialties to rural support and deliver digestive endoscopy diagnosis and treatment technologies.

Yunnan Province, Lincang City, Yongde County Hospital of Traditional Chinese Medicine

In September, a national touring medical team consisting of digestive specialists, policy researchers, and officials responsible for institutional reform, along with the director physician, attending physician, and chief nurse of the Lincang City Digestive Specialist Alliance, conducted on-site guidance at grassroots hospitals' gastroenterology departments. They established remote medical consultations and conducted on-site teaching.

Utilizing the Aohua AQ-300 in the endoscopy room, they performed various new techniques such as "endoscopic gastric polypectomy, endoscopic colon polypectomy, endoscopic mucosal resection of the colon," filling the gap in digestive endoscopy technology at grassroots hospitals. This initiative enhanced the local medical staff's proficiency and provided targeted professional guidance, suggestions, and advice. They also shared insights on discipline construction, specialty development, digestive endoscopy diagnosis and treatment, and quality control, addressing various difficult questions comprehensively and meticulously.

This grassroots assistance activity covered a wide range of topics, closely integrating with clinical work, enhancing connections and exchanges with grassroots medical institutions, and playing an actively catalytic role in improving the diagnostic and treatment capabilities and quality levels of endoscopy at grassroots hospitals.



Charitable Donation

The gastrointestinal early cancer screening project is not only a concrete manifestation of the philosophy of "people first, life first", but also a new starting point for the development of gastrointestinal early cancer screening work. In February 2023, the unveiling ceremony of the Gastrointestinal Early Cancer Screening Base and Equipment Donation Ceremony was held at the Tongchuan Cancer Prevention and Control Center in Shaanxi Province, at the South Hospital of the City People's Hospital. Shanghai Aohua Endoscopy Co., Ltd. donated medical

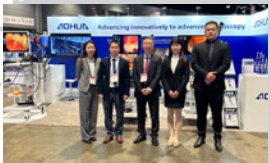
equipment worth 3.4 million yuan to the Tongchuan City Early Cancer Screening Base through the Municipal Red Cross, to support its construction.

The donated medical equipment includes a set of high-definition electronic gastrointestinal endoscopy systems, comprising one endoscopic image processing center, one endoscopic LED cold light source, two high-definition electronic gastroscopes, two high-definition electronic colonoscopes, one LCD monitor, and one endoscopy-specific trolley, with a total value of 3.4 million yuan. The use of this equipment will play an important role in the early diagnosis and treatment of gastrointestinal tumors, maximizing cost savings, improving diagnosis rates, shortening diagnosis and treatment times, and effectively enhancing the level of diagnosis and treatment of gastrointestinal diseases.

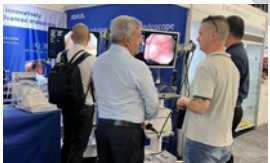


Global Communication

North America



United States DDW



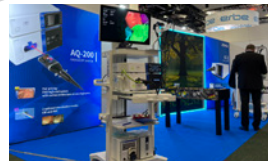
United States FIME

South America



Ecuador

Europe

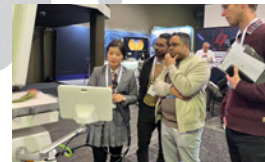


Ireland

Africa

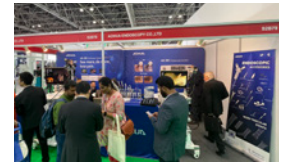


Egypt



South Africa

Asia



United Arab Emirates



Mongolia



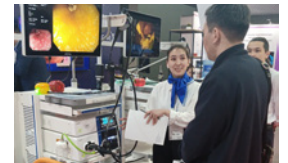
Turkey



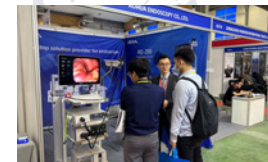
Uzbekistan



Indonesia



Kazakhstan



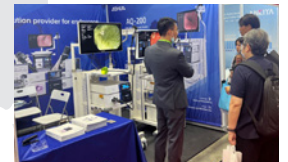
Vietnam



Korea



Thailand



Malaysia



QUALITY UNBOUNDED PURSUING EXCELLENCE

The company maintains strict requirements for quality control. By introducing an intelligent supply chain management system, we have achieved comprehensive monitoring and management of various aspects such as raw material procurement, production processes, and product quality inspection. This management model not only improves production efficiency and reduces costs but also ensures the stability and consistency of product quality.

Furthermore, we integrate quality management throughout the entire product lifecycle, from product design and raw material selection to production, packaging, transportation, and after-sales service, always prioritizing customer needs and product safety. This rigorous quality control is not only a commitment to our customers but also a fulfillment of our own mission.

Ensure Quality

The company has always prioritized people-oriented initiatives, actively pursuing standardized management as its core, and establishing sound operational guidelines. While striving for orderly, efficient, and healthy development, it also pays attention to societal and human health development, aiming for win-win outcomes among the company, employees, customers, and investors.

Against the backdrop of a corporate culture emphasizing Customer First, Continuous Innovation, Sustained Growth, and Results-Oriented, the company has always adhered to the principle of "technological innovation, sincere service." We seize opportunities presented by new technological advancements in the industry, rely on state-of-the-art scientific production methods, provide high-quality services to our vast clientele, and offer reliable endoscopic solutions to our users.

The company places great emphasis on quality management. Having obtained certifications for quality management systems such as ISO 9001:2015 and ISO 13485:2016. It actively expands international business and continuously updates and refines the procedural documents and regulations within its quality management system. In addition to meeting the requirements of China's GMP, the quality management system also complies with additional legal regulations in countries such as the EU's MDR, South Korea's KGMP, and Brazil. This ensures the delivery of quality, safe, and effective products to domestic customers while providing a guarantee for expansion into international markets.

The company's quality management system comprises four levels of documents. Quality manual, procedural documents, regulations, and records. Through refined process management, the company has standardized 48 business processes, including resource management, design and development, production manufacturing, feedback improvement, etc., ensuring high-quality execution results. Over the years, the company has actively employed the PDCA quality cycle to continuously improve business process management, pursuing excellence.

The company is committed to providing customers with high-quality products. It sets requirements for high reliability and maintainability in product design, continuously innovating and optimizing throughout the design and development stages, iterating product designs, and ensuring that only qualified products are delivered to customers through

The composition of Ausmed's quality management system

Decision-making level	Quality manual	Description of the processes required for the quality management system and their interactions, quality policy, and objectives.
Management level	Procedure documents	Procedure for the formation of documents, describing the implementation process.
Operational level	Operational/Regulatory /Policy documents	Work instruction manual
Execution level	Record forms	Record form

standardized production processes and release approval processes.

Shanghai Aohua Endoscopy Co., Ltd. conducts comprehensive inspections for endoscopic product performance, sealing, and related imaging functions, achieving a rate of up to

100 %

Since its inception, the company has established a principle of "providing knowledge, skills, dignity, and development to employees; providing love, service, value, and benefits to customers." With a commitment to strengthening management and seeking truth and pragmatism, it continuously recruits professional and technically adept personnel, pursuing excellence in quality and efficiency, and continuously learning technical standards and industry best practices to ensure that personnel possess superb skills, thereby improving product quality continuously.

The company adheres to customer-oriented product and technology solutions, with customer satisfaction as the ultimate goal. In the process of development and growth, the company will always advocate "innovation consciousness, service consciousness, and quality consciousness," ensuring that the enterprise accumulates positively in a virtuous cycle.

Enhance International Service Quality

Aohua adheres to the enterprise vision of "Become a global enterprise, advancing endoscopic care for all," continuously expands its presence in the international market, and increases investment in international services to lay a solid foundation for market expansion. To meet the diverse needs of different regions, the company gradually establishes a regional service system, formulates service policies based on regional characteristics, and adjusts service layouts to enhance market recognition through tailored services.

Strict Adherence to Laws and Regulations

We strictly adhere to ISO 13485:2016, ISO 9001:2015, MDR (EU Medical Device Regulations), quality system-related procedural documents, and management specifications to establish basic user service systems and processes. We complete customer consultations, handle customer service complaints, adverse events, and other post-market regulatory control procedures as required. For the unique characteristics of international market service work, the company has developed corresponding policies and processes tailored to each location to ensure the compliance of the product after-sales process, such as the "International User Service Operations Management Specification" and the "International Quality Plan Process."

Improving User Service System

Utilizing efficient after-sales management tools, we monitor the entire product lifecycle comprehensively, including complete product information, user information, and maintenance records, to provide effective data guidance for user service and timely inspections, maintenance, and spare parts support. Comprehensive maintenance data reports also provide scientific and effective support for product quality improvement.

Enhancing Service Capability

We establish a complementary user service system consisting of technical service centers, authorized dealers, and authorized third-party repair stations according to regional conditions to ensure that all users receive sufficient product service support. Regular quarterly repair training is conducted to ensure that service organizations at all levels have sufficient repair capabilities and cover new product and skill promotion through online and irregular on-site training.

Service Capability Enhancement

We establish professional communication channels between key departments such as R&D, quality, and production. A dedicated technical support team is established to summarize and organize technical information related to products into usable technical materials, service notices, and guidance documents for the end-users,

providing the most important technical guarantee for the professionalism and effectiveness of the service.

Continuous improvement of the training mechanism is the cornerstone of service team capability. Field service capabilities and experience are enhanced through on-site training, and engineers are equipped with sufficient product details and troubleshooting and repair capabilities through workshop internships. At the same time, cross-departmental cooperative training is organized to comprehensively improve the professional skills of

service engineers, requiring them not only to complete basic on-site service work but also to master sufficient clinical knowledge, industry background, and technical principles to provide users with more professional and accurate services.

Performance management oriented towards "customer satisfaction" defines the work guidelines of the user service team. We ensure responses within 24 hours and provide solutions within 72 hours for inquiries, complaints, and suggestions from users worldwide.



Compliant and Efficient Procurement

Company's Operations in Compliance, Efficient Procurement, Risk Management, and Win-Win Cooperation:

Adherence to Compliance

We consider fairness, openness, transparency, integrity, and honesty as fundamental principles of compliance operations. We strictly adhere to relevant laws and regulations such as the Civil Code of the People's Republic of China, the Criminal Law of the People's Republic of China, and the Anti-Unfair Competition Law. We have established and enhanced a compliance system, including the establishment of an employee handbook to clarify employees' business conduct guidelines and ethical standards, prohibiting employees' unethical behavior. We have formulated a "Procurement Agreement - Anti-Commercial Bribery" to manage both employees and suppliers in terms of professional ethics and business conduct, providing solid institutional guarantees for the company's compliance management. Additionally, annual audits confirm the existence of any improper relationships or improper benefits between suppliers and the company to prevent potential compliance operational risks.

We explicitly advocate against bribery for both employees and suppliers, set up anonymous reporting mailboxes and other complaint channels within the company, and encourage all employees and stakeholders to report

suspected illegal or irregular activities through compliance hotlines, report emails, and other channels. This comprehensive approach ensures effective supervision of corruption and bribery and ensures that employees adhere to high ethical standards and principles of honesty and trustworthiness. Our compliance policies and systems apply to all employees, and after discovering violations, we implement punishment measures, forming an effective closed-loop management from top to bottom.

Advancing Efficient Procurement

While ensuring compliant procurement, we have established a comprehensive procurement control system, guided by the "Procurement Control Procedure," "Procurement Management Specification," and "Supplier Management Specification," to standardize procurement processes and ensure efficient procurement decision-making and execution processes.

We recognize that building a high-quality, sustainable, and resilient supply chain is essential for robust business development. We have established a comprehensive supplier management system and incorporated supplier environmental and social responsibility into management requirements, comprehensively enhancing supply chain risk response capabilities. We also strengthen communication with suppliers to achieve coordinated development, ensuring business stability and continu-

ous development through the construction of a resilient supply chain.

Enhancing Supplier Management

To efficiently conduct procurement activities, we have developed and published a "Supplier Management Procedure" to standardize management processes for supplier selection, qualification certification, monitoring and development, and supplier elimination. During the supplier admission phase, we organize relevant personnel from the quality and R&D departments to conduct preliminary evaluations of suppliers, require all suppliers to sign a "Supplier Purchase Agreement," and key suppliers to sign a "Quality Assurance Agreement," and provide quality-related qualifications or certifications to ensure that the materials or services they provide meet our standards. Environmental protection and hazardous substance control are also important criteria in our preliminary evaluation of suppliers. Given equal conditions, we prefer suppliers with relevant environmental system certifications as alternative suppliers. During the reporting period, all key material suppliers we used have obtained ISO 9001, ISO 13485, or ISO 14001 management system certifications.

After establishing a cooperative relationship with suppliers, we adopt a classification management principle and conduct regular inspections and visits to suppliers,

conduct quality system and product audits for long-term cooperative suppliers, and conduct inspections for high-risk materials to ensure continuous material safety and improve supply quality. We also emphasize supplier evaluation and assessment, conducting annual evaluations of suppliers based on multiple dimensions such as supply cost, product quality, and delivery timeliness. If suppliers do not meet the company's cooperation requirements or fail to meet relevant quality, environmental, and safety management requirements, we will request them to make corrections based on evaluation feedback, otherwise, we will consider terminating cooperation.

On the basis of ensuring supply quality, we also explicitly require suppliers to fulfill their social responsibilities, incorporating factors such as labor rights, occupational health and safety, environmental protection, and business ethics into the supplier's social responsibility management system. We have signed "Material Supplier Environmental and Occupational Health and Safety Agreements" with key suppliers, aiming to comprehensively improve the level of supply chain responsibility and sustainable development capabilities.

Supply Chain Risk Management

Aohua Endoscopy places a high priority on supply stability and safety, thoroughly identifying and managing supply chain risks to continuously provide high-quality products and services to society. To achieve this, we have established and continuously improved a supply chain risk identification and management system, conducting effective monitoring and management of key supply chain risk elements such as quality, safety, and the environment. We conduct annual audits of suppliers with supply, quality, and environmental issues and have formulated a "Supplier Annual Audit Plan."

In response to recent global supply chain risks such as production interruptions, supply shortages, and declining transportation capacity, we have systematically undertaken preventive, monitoring, and control measures. We have established a sound "Strategic Material Definition and Control" process to identify materials with potential supply risks and promptly respond, effectively reducing the risk of potential supply interruptions. Additionally, we have developed business continuity plans, adjusting production plans in a timely manner through market dynamic analysis and insights to reduce supply chain uncertainty and ensure stable production and timely delivery. Over the past three years, through various management measures such as optimizing logistics management, adopting diversified transportation schemes, and shipping from multiple production bases, we have ensured the continuity of business operations and supply stability, guaranteeing stable business growth through our rapid response capabilities and risk insight.

Collaborative Development for Win-Win Cooperation

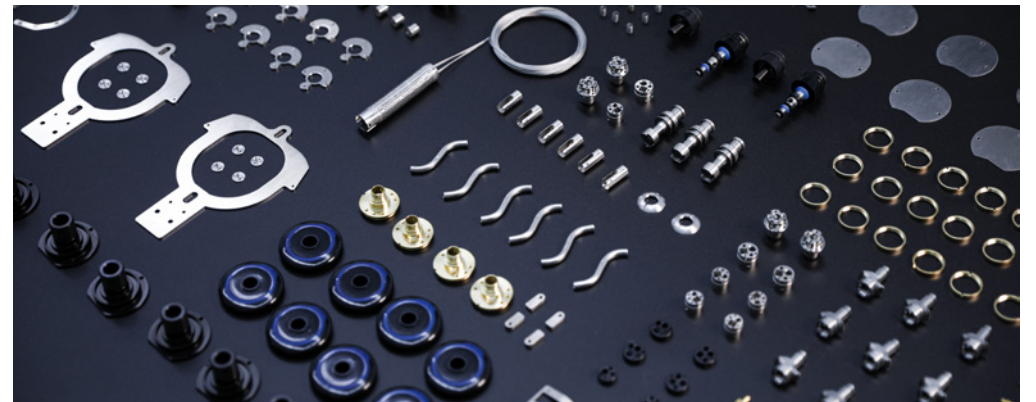
Aohua Endoscopy regards suppliers as important partners and actively engages in in-depth communication and cooperation with partners upstream and downstream in the industry chain, driving the diversified production, services, and supply of domestic medical equipment industry from raw materials to components and critical core parts. We periodically share industry knowledge and best practices with suppliers and hold consultations on production and quality issues in supplier processes to encourage suppliers to improve their own management and enhance the quality of material supply and services, deepening cooperation with industry partners and empowering industry development.

Furthermore, we are committed to increasing the proportion of localized procurement while ensuring the stability, efficiency, and sustainability of the supply chain, driving the development of the local industrial chain. Over the years, there has been a limited number of manufacturers in the domestic industrial chain capable of producing key components of high-end medical equipment, and the technological reserves upstream and downstream of the industrial chain are relatively limited compared to developed countries. To break the dilemma of backward technological reserves in the upstream of the medical device industrial chain, Ausmed Endoscopy, based on its independent research and development capabilities, has cooperated with domestic manufacturers for the key components or devices of products, engaging in joint innovation, and has gradually realized localized production and supply.

Through collaborative development and win-win cooperation, we are promoting the upgrading and development of the industrial chain, consolidating the foundation of the industry. Aohua Endoscopy is committed to accelerating the coordinated development of local supply chain enterprises comprehensively.

Supplier Grading and Classification Management Framework

Supplier Classification	Coverage rate	Evaluation frequency
A Category	100%	Annual qualified supplier evaluation and on-site audit
B Category	100%	Annual qualified supplier evaluation, and based on the evaluation results, conduct on-site audits of suppliers as needed.
C Category	100%	Annual qualified supplier evaluation
D Category	100%	Annual qualified supplier evaluation





PEOPLE-ORIENTED WIN-WIN FUTURE

Aohua always adheres to a customer-oriented approach and places a strong emphasis on human capital, fostering a mutually beneficial future for employees, the company, and society.

We consider our employees as the most valuable asset of the company and are committed to creating a positive, healthy, and vibrant work environment. While encouraging various training, learning, and networking activities, we have also established a robust promotion mechanism to provide solid support for employees' career development planning. We aspire that in such an environment, everyone can continuously enhance their skills and capabilities, maximizing their self-worth.

Protecting Employee Rights and Interests

The company aims to motivate employees to grow together with the company by comprehensively constructing a position compensation system and establishing a sound medium- to long-term incentive mechanism. By reviewing various functional position systems and aligning them with the current compensation levels within the company, benchmarking against market compensation for similar industry positions, the company has established a position matrix and salary standards for various job levels that align with the company's medium- to long-term development goals.

Regarding long-term incentives, the company has implemented an equity incentive plan to attract and retain outstanding talent, fully mobilizing the enthusiasm of the company's core team. This plan effectively aligns the interests of shareholders, the company, and individual members of the core team, encouraging everyone to focus on and drive the company's long-term development.

Based on the company's strategic mid-to-long-term development goals, each organizational unit's strategic objectives are decoded layer by layer to maintain a high degree of alignment between goals and action directions. To break the rigidity of performance goals and execution, the company conducts semi-annual reviews to set, adjust, and conduct performance discussions with employees, achieving dynamic performance management.

Employee Rights Protection

The company strictly complies with labor-related laws and regulations, continually refining the Employee Handbook, which clearly defines guidelines for employee hiring and departure, attendance, compensation, safety regulations, and other behavioral standards. We strictly prohibit the employment of child labor and forced labor, implementing various measures during interviews and onboarding to prevent illegal employment practices.

Talent Recruitment

The company has established a "Company Recruitment Management System" to clarify personnel recruitment management and recruitment processes, enhancing recruitment efficiency. To meet the company's talent needs and improve the talent selection mechanism, we conduct recruitment through various channels such as campus recruitment, social recruitment, and internal referrals.



Fostering Employee Career Growth

Aohua Endoscopy adheres to the core value of "Sustained Growth," persistently driving company development through the enhancement of employee capabilities. While maintaining steady business growth, we prioritize the growth of every employee and emphasize the construction of a talent pipeline. Focusing on both company and employee career development needs, we have established a distinctive talent development system at Olympus, offering equal and open learning and advancement opportunities for all employees. This system aims to cultivate a professional workforce with solid expertise, refined management skills, quantitative thinking, and decision-making abilities, thereby promoting the company's sustainable development.

Furthermore, we have established a dual-channel career development system for management and professional technical sequences, allowing employees to develop through multiple channels. This further unleashes corporate vitality and enhances organizational effectiveness. We actively guide employees to plan their career development direction based on their own strengths and the continuous development needs of the company, thereby achieving their career development goals.

During the reporting period, the total duration of employee training was as follows

Training and Development

We encourage every Aohua employee to continuously explore and diversify their efforts, continuously self-improving. We have built a comprehensive training system, providing employees with abundant learning resources and encouraging proactive knowledge and experience sharing among teams to grow together. From new employee onboarding training to leadership training for management teams, we organize corresponding training courses in a tiered and graded manner to help employees grow rapidly, enhancing both employee and company competitiveness and innovation capabilities.

7130.33 hours

Employee coverage rate

60.07 %

Average training duration per employee

6.53 hours



During the reporting period, the list of training data for various types of employees

	Category	Training Coverage Ratio	Average Training Duration
Segmented by Job Level	Senior Managers	2%	25.57
	Middle Managers	3%	22.71
	Ordinary Employees	95%	10.14
Segmented by Gender	Female Employees	37.5%	9.53
	Male Employees	62.5%	11.64

Protecting Employee Health

We deeply understand that employee health is crucial for the sustainable development of the company. Therefore, we are committed to establishing and maintaining a safe and healthy working environment to ensure that employees can work in good conditions and prevent occupational diseases and accidents.

The company has established management systems and procedures based on the ISO 45001/GB-T 45001 Occupational Health and Safety Management System, clarifying commitments to occupational health and safety and

establishing relevant systems and processes to ensure proper operation.

The company's occupational health and safety management system covers all employees, striving to provide a healthy and safe working environment for all employees. We conduct regular monitoring of occupational hazards and take necessary measures to improve the working environment based on monitoring and assessment reports. We also conduct regular health checks on employees to monitor their health status and provide various safety

and occupational health training to enhance employees' safety awareness.

In 2023, a total of approximately 45 training sessions were conducted, including new employee three-level safety training, occupational health training, mechanical and electrical safety training, and fire safety training. Putting people first and prioritizing employee safety, the company has established a safety management organization to prevent production safety accidents. It operates standardized safety production and has passed the third-level safety production standardization certification. Additionally, a dual prevention mechanism of risk classification control and hidden danger investigation and governance has been established and implemented. The company fully implements the responsibility system for all employees' safety production and practices comprehensive employee safety management. In 2023, the company did not experience any fatal accidents, and the total number of lost work hours due to work-related injuries was 80 hours.

During the reporting period, there were no work-related fatalities in the company

0

The total number of lost work hours due to work-related injuries during the reporting period

80 hours

In 2023, a total of various safety training sessions were conducted

45 sessions





POLLUTION REDUCTION AND CARBON REDUCTION

Green development of the enterprise is our long-term goal and relentless pursuit. We firmly believe that only by protecting the environment can we achieve sustainable development of the enterprise and common prosperity of society. By actively advocating the concept of green office and pollution reduction, we are committed to building a sustainable industrial ecosystem.

Environmental Management System

We are committed to establishing and maintaining an environmental management system that complies with national environmental laws and regulations to effectively manage and control the environmental impacts of our business operations. We strictly adhere to laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, and the Shanghai Environmental Protection Regulations. We continuously optimize and improve environmental management policies, procedures, and practices to ensure that our business operations are conducted within regulatory frameworks.

To further demonstrate our commitment to environmental management, we have obtained ISO 14001 Environmental Management System certification. This certification signifies that our environmental management system meets international standards, effectively identifies, monitors, and controls environmental risks, and continuously improves our environmental performance. Through ISO 14001 certification, we not only enhance our management level but also strengthen our sense of responsibility and sensitivity to environmental issues.

We will continue to focus on the operation and continuous improvement of our environmental management system. Through various measures and practices, we aim to continuously reduce our environmental impact, promote the efficient use of resources, and achieve a win-win situation for both economic and environmental benefits. We firmly believe that only by upholding the concept of sustainable development can we achieve our long-term business goals and contribute more positive energy to society and the environment.



APPENDIX

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