



We are committed to Making Human Beings Healthier  
and the Environment More Friendly



[www.sdhead.com](http://www.sdhead.com)

# Head Group

## 2023

### Sustainability Report

---

Shandong Head Group Co., Ltd.

# Contents

Head

About the Report	01
Messages from Chairman	03
About Head Group	05

<b>Taking Responsibility for Sustainable Development</b>	<b>13</b>
Sustainable Development Guidelines	14
Sustainable Development Structure	15
Sustainable Development Goals	16
Sustainable Development Actions	17

## 1 Building a Compliant and Stable Governance System

Corporate Governance	21
Compliance Risk Control	24
Ethical Business	26
Investor Relationship	30

## 2 Shaping an Eco-Friendly Future

Environmental Management	35
Energy and Resource Management	42
Pollution Control	48

## 3 Generating Exceptional Social Impact and Value

R&D and Innovations	57
Product Liability	62
Digital Transformation	68
Customer Rights and Interests Protection	70
Suppliers Management	73
Information Security	76

## 4 Inspiring Talents and Career Development

Employee Relationship Management	81
Training and Development	91
Occupational Health and Safety	97

## 5 Delivering Warmth and Care

Community Welfare	107
Corporate Volunteering	109

<b>For the Future</b>	<b>111</b>
<b>Appendix</b>	<b>113</b>
ESG Performance	113
Indicator Index	119
Feedback Form	121

# About the Report

This is the first Sustainability Report issued by SHANDONG HEAD GROUP CO.,LTD. (hereinafter referred to as "Head Group", "Head", "the Company" or "We"). Based on the principles of objectivity, standardization, transparency and comprehensiveness, this report discloses in detail the Company's sustainable development practices and performance in 2023.

## Report Scope

This report focuses on "Head Group" and subsidiaries, and its scope is aligned with that of the Company's Annual Report, unless otherwise specified.

## Reporting Period

This report covers the period from January 1 to December 31, 2023 (the "reporting period"). In order to enhance the comparative and forward-looking nature of this report, some of the contents are presented in a retrospective or forward-looking format where appropriate. This report is issued on an annual basis, in line with the financial year.

## Reference Standard

- Shenzhen Stock Exchange Guidelines for Social Responsibility of Listed Companies (2006)
- Chinese Academy of Social Sciences (CASS) Guide to Corporate Social Responsibility Reporting in China (CASS-ESG 5.0)
- Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) (2021)
- UN Sustainable Development Goals (SDGs) 2030
- Sustainability Accounting Standards Board (SASB) Standards

## Data Description

The data sources used in the report include original data from the Company's actual operations, public data from government departments, the Company's annual financial data, relevant internal statistical reports, and the third-party evaluation interviews. The financial data presented in this report are in "CNY". Should there be any inconsistency between this report and the financial report, the latter shall prevail.

## Items Description

Item	Definition Content
Head Group, Head, the Company or We	SHANDONG HEAD GROUP CO.,LTD.
Healsee, Healsee Capsule, Healsee Capsule Division	SHANDDONG HEALSEE CAPSULE LTD.
Fortune, Fortune Chemical, Fortune Chemical Division	YANTAI FORTUNE CHEMICAL CO., LTD.
MetaMeat	METAMEAT (SHANGHAI) FOOD TECHNOLOGY CO., LTD.
Gaoqing Plant, Gaoqing, Head Polymer	ZIBO HEAD POLYMER MATERIALS CO., LTD.
Zofu Head	SHANDONG ZOFU HEAD NEW MATERIAL CO., LTD.

## Report Confirmation and Approval

This report was approved by the Company's Board of Directors on April 26, 2024, and published concurrently with the Annual Report. The Board of Directors undertakes to monitor the content of the report and ensure that it does not contain any false information or misleading statements, and takes responsibility for the truthfulness, accuracy and completeness.

This report is issued in Chinese. The English version has been translated from the Chinese version and in case of any discrepancy between the two versions, the Chinese version shall prevail.

## Report Acquisition

This report can be viewed and downloaded from the Company's website (<https://www.sdhead.com/>) and the website of the Shenzhen Stock Exchange (<http://www.szse.cn>).

# Messages from Chairman



"Making Human Beings Healthier and the Environment More Friendly" is the development vision that Head always insists on and strives for. As we continue to drive our business forward, we are also imagining how to build a better, fairer and more sustainable future.

In review, 2023 presented both challenges and opportunities. Facing a complex and volatile external environment and increasingly severe market competition, the Company's management has taken more aggressive and vigorous measures to ensure that our strategy remains focused on meeting customers' needs, driving corporate growth, and providing more long-term value to our business.

**We are accelerating Head's globalization.** Aiming at key strategic markets overseas such as Europe, North America and South America, the Company accelerates development and penetration of markets by hiring localized market experts. At the same time, we are also focusing on technological enhancement, extensively searching and inviting overseas technologists to join Head in order to continuously improve our technological competitiveness.

**We are focusing on product and technology improvement.** In the field of Cellulose Ether Building Materials, we provide a diverse range of modified products to meet the varying needs of customers, while continuing to expand our high-end overseas market presence; In the field of Cellulose Ether Pharmaceutical, our high-end Coating Products have made significant advances, overcoming the limitations of long-term import dependency, improving the performance of Controlled Released Products, and strengthening collaboration with

pharmaceutical companies; In the field of Vegetable Capsules, the second-generation capsules were successfully registered and obtained 2 national invention patents, which were widely recognized by customers domestic and abroad. Technology is the first productive force for development, innovation is the first driving force for growth. To maintain our core competitiveness, the Company will continue to enhance our technology leadership.

**We are concentrating on investment strategies of customer needs and market growth.** Head's Board of Directors reviewed and approved the equity acquisition proposal of Shandong Zhongfu Zhiwei New Materials Co., Ltd., and changed its name to Zofu Head, in order to improve the strength of Head's R&D, production, sales and service of Hydroxyethyl Cellulose (HEC), marking the in-depth advancement of Head Group's integration strategy in terms of horizontal expansion. Over the past three years, we have made significant investments in our business, which will provide us with a strong foundation for future growth and serve as a competitive advantage.

**We are paying more attention to sustainable development.** The creation of sustainable value such as environmental protection, social responsibility and corporate governance is both the Company's vision for development and consistent with the goals of international society to make the world better. In 2023, Head established the Sustainable Development Committee, which is focused on key areas such as environmental protection, energy saving and consumption reduction, and social welfare. The Committee is committed to Head's two carbon goals: 2030 carbon peaking and 2050

carbon neutrality. We are aware that sustainable innovation and profitable growth are mutually reinforcing, and we will drive the Company to achieve high-quality growth through a series of efforts to create more value for our customers, employees, society, and shareholders, and bring more positive change in the world.

Our success has been built on three key pillars: control of our products, dedication to our customers, and a clear focus on future goals. We have also benefited from the dedication from our employees, the trust from our customers, the confidence from our investors, and the solid cooperation from our business partners. On behalf of the Board of Directors, I would like to express my sincerest gratitude to all our stakeholders for their invaluable support and assistance to our business over the past year, and I am confident that, we will achieve a brighter future together!

Mr. Jack BEE

Chairman, Head Group



# About Head Group

## Company Overview

SHANDONG HEAD GROUP CO.,LTD. was established in 1992 and listed on Shenzhen Stock Exchange in August 2016, stock abbreviation: SHANDONG HEAD, stock code: 002810.

Head is an international cellulose ether producer and an ecological compound group company that run through the upstream and downstream industry chain of cellulose ether, as well as the fields of plant meat and vegetable capsules, etc.

In accordance with the trend of health and green development, Head Group has established 4 divisions: Cellulose Ether Division, Healsee Capsule Division, Chemical Equipment Division, and Fortune Chemical Division. These Divisions' business scope cover medium-high end cellulose ether, vegetable capsules, plant meat, graphite equipment, trimethyl orthoacetate, and diacetone acrylamide, with products and solutions that are widely used in construction and building materials, pharmaceuticals and foods, energy mining, daily chemicals and washing, papermaking and textile, green energy, and other industries.

## Honors and Achievements

### Honors Received in 2023

- Top 500 Chinese Petroleum & Chemical Enterprise
- Top 100 Chinese Fine Chemical Enterprise
- China Petroleum & Chemical Industry Technology Innovation Demonstration Enterprise
- Top 10 Chinese Fine Chemical Enterprise for Green and Low Carbon Development
- National Intellectual Property Capable Enterprise
- Top 100 Shandong Private Enterprise with Innovation Potential
- Shandong Province Digital Economy "Chenxing Factory"
- Zibo City "Double 100" Enterprise (Zibo's Top 100 Enterprise, Zibo's Top 100 Manufacturing Enterprise)
- Zibo City Talent Leading Enterprise
- Zibo City Full Innovation Enterprise
- Foreign Trade Import and Export Contributing Enterprise
- Head was honored as Zibo's Green Factory



# Development History

## Before Head

By providing labor output, transition to focus on graphite heat exchanger series products R&D, production and sales, the nature of the enterprise for the Wangcun township collectively owned enterprises.

### 1972

Wangcun Riveting and Welding Factory was established in Zhoucun District, Zibo City, Shandong Province

### 1989

Renamed as "Zibo Graphite Chemical Equipment Factory"

## Initial Stage

The nature of the enterprise was changed into a joint-equity enterprise, forming a graphite-based chemical equipment, while other development directions were explored.

### 1992

Established "Zibo Head Co.,Ltd."

### 1993

WWNW series pressure less hot water boiler passed professional evaluation and launched

### 1997

Renamed as "Shandong Head Co., Ltd."

The stock was traded on the OTC in the original Zibo automatic quotation system

## Market Positioning

Embarked on the development of R&D, production and sales of cellulose ether series products, and gradually formed the cellulose ether as the leading products and expanded the downstream industry chain.

### 2000

Adjusted the industrial structure and started the R&D of "Cellulose Ether Series" product  
300 tons/year cellulose ether production line was founded

### 2003

Cellulose ether products successfully entered the Southeast Asian market

The International Trade Department was established, opening a new era of product export

### 2004

Invested CNY26 million in design, installation and construction of a 3,000 tons/year Hydroxy Propyl Methyl Cellulose (HPMC) line, which was successfully put into operation in 2005

Invested in independent research and development of special raw materials for the production of HPMC vegetable empty capsules

### 2005

Diacetone acrylamide products successfully developed, passed the scientific and technological appraisal and put into operation

Won the title of "Shandong Famous Brand"

### 2007

1,000 tons/year of Hydroxy Ethyl Cellulose was successfully put into production

Approved by Shandong Science and Technology Department, established "Shandong Province Cellulose Ether Engineering Technology Research Center"

### 2009

Recognized as a national "High-tech Enterprise"

Won the title of "Shandong Famous Trademark"

### 2011

Wholly-owned acquisition of Yantai Fortune Chemical Co., Ltd.

Rated as an "Innovative Growth Enterprise" in Zibo City

HPMC vegetable empty capsules were researched and developed independently

### 2012

Invested CNY360 million to start the construction of the 24,000 tons/year cellulose ether production line (Phase I) in Zhoucun Chemical New Materials Industrial Park

Slow and controlled release HPMC was listed as an innovative project plan in Shandong Province

### 2013

4,000 tons/year pharmaceutical-grade cellulose ether production line was put into operation in the first half of 2013

10,000 tons/year building material grade cellulose ether production line was put into operation in the second half of 2013

### 2014

Fortune's 5,000 tons/year trimethyl orthoacetate production line completed

Established a holding subsidiary -- Shandong Healsee Capsule Ltd.

European joint venture company established

### 2015

Passed FSSC22000,ISO 22000 food safety management system certification

Head's technology center was successfully established

## Rapid Growth

After years of accumulation, Head has become an A shares listed enterprise, formed cellulose ether as the leading product pattern, a series of products go hand in hand. The domestic and international markets continue to develop, and sales are increasing year by year.

### 2016

Listed on Shenzhen Stock Exchange

Established US branch

Established Shandong Province Cellulose Ether Engineering Laboratory

### 2018

20,000 tons/year cellulose ether project (Phase II) was successfully put into operation

Reached strategic cooperation with Saint-Gobain, Knauf and other global brands

Fortune Chemical Co., Ltd.was recognized as a "High-tech Enterprise"

Shanghai Hehan Biotechnology Co., Ltd. was established

### 2019

Selected into "List of High-end Brand Cultivation Enterprise in Manufacturing" in Shandong Province

Recognized as "Shandong Province Chemical Key Monitoring Point Enterprise"

Appraised as "Shandong Province Modern Advantageous Industrial Cluster & Artificial Intelligence Integration Development Direction Demonstration Enterprise"

### 2020

Zibo Head Polymer Materials Co., Ltd. was established.

Initiated "41,000 tons/year Cellulose Ether Project"

Healsee Capsule was rated as "Deling Cultivation Enterprise" in Zibo City

MetaMeat (Shanghai) Food Technology Co., Ltd. was established

Recognized as "Leading Enterprise of Top 10 Industrial Clusters" in Shandong Province

## Going Global

Through organizational change, reshaping enterprise culture, formulating Head Strategy 2025 and other strategic initiatives, Head will promote management improvement, technological innovation, and develop into an international, modern, digital, science and technology-based innovative enterprise.

### 2021

Cellulose ether project of Zibo Head Polymer Materials Co., Ltd. was included in the "Shandong Major Project List"

Awarded the 3rd batch of National Specialized and Innovative "Little Giant" enterprise

Selected as "Double 100 Enterprise" in Zibo City

### 2022

Head Polymer cellulose ether project was selected as Major Industrial Research Project in Shandong Province's New&Old Energy Conversion

Selected as "Top 500 Chinese Petroleum & Chemical Enterprise"

### 2023

Head Polymer 41,000 tons/year cellulose ether project (Phase II) was put into operation

Acquisition of shareholding in Zhongfu Zhiwei New Materials Co., Ltd. (now renamed Zofu Head)

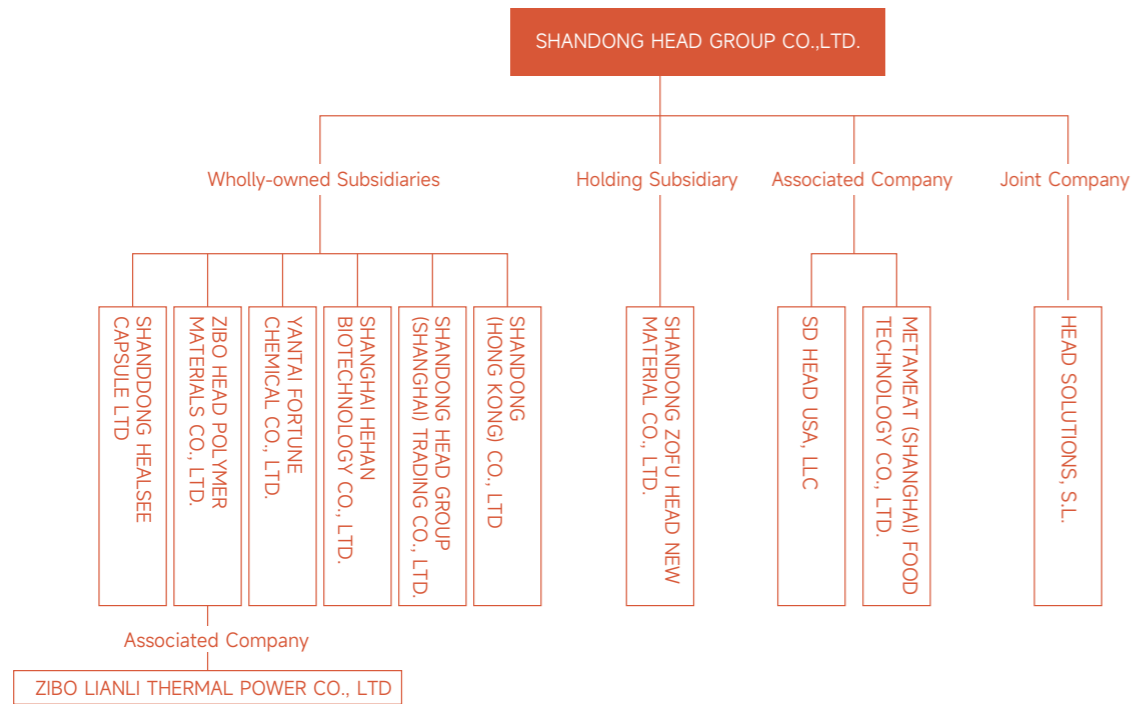
Establish the Head Sustainable Development Committee

Awarded National Intellectual Property Capable Enterprise

Selected as "Top 100 Chinese Fine Chemical Enterprise"

Selected as "Top 10 Chinese Fine Chemical Enterprise for Green and Low-Carbon Development"

## Shareholding Structure



## Global Footprint

Head Group is headquartered in China-Zibo-Zhoucun, and has set up subsidiaries in Zibo Gaoqing, Shandong Yantai, Shanghai and other places; Overseas, **Head Group has set up joint ventures in Europe and the U.S.** as two strategic pivots, which greatly improves the purchasing efficiency and service for customers from order confirmation to product receipt.



Head Group has provided industry-leading quality products and solutions to customers in more than 100 countries around the world, including the United States, Germany, the United Kingdom, Canada, Australia, Japan, Korea and India, etc.

## Business Layout



### Cellulose Ether Division

Head is dedicated to R&D, production, and sales of water-soluble polymer compounds. Our primary products are non-ionic cellulose ether, which provide the market with nearly 100 varieties of Cellulose Ether series products, including Hydroxy Propyl Methyl Cellulose Ether (HPMC), Hydroxy Ethyl Methyl Cellulose Ether (HEMC), Ethyl Cellulose Ether (EC) and Hydroxy Ethyl Cellulose Ether (HEC), etc.

Head has two production bases for non-ionic cellulose ether. In August 2023, Head acquired a shareholding of Zhongfu Zhiwei New Materials Co., Ltd. (now renamed Zofu Head), a producer of HEC, further enhancing and consolidating Head Group's dominant position in the global cellulose ether and derivatives sector.

### Healsee Capsule Division

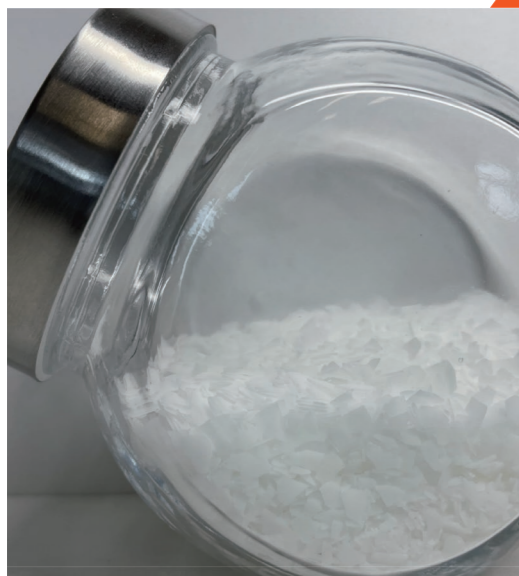


Located in Zhoucun Economic Development Zone, Zibo, China, Shandong Healsee Capsule Ltd. is a wholly-owned subsidiary of Head Group, which is committed to R&D, production and sales of HPMC vegetable empty capsules. The company has developed its own raw material formulations, fully automatic HPMC capsule production line and intelligent constant temperature three-dimensional storage system, and is able to provide health products and pharmaceutical companies with capsules of various types and specifications, including models from 000# to 4#, as well as gastric-dissolve and acid-resistant types, etc. The series of Healsee capsules have passed the technical review of the NMPA, KOSHER, HALAL, US NSF, and UK BRCGS certification, to provide customers with personalized capsule customization services such as coloring, printing, and to assist customers in solving all kinds of problems in capsule filling and application. Healsee capsules was awarded the honors such as "Hidden Champion" of SMEs in Shandong Province, and "Deling Cultivation Enterprise" in Zibo City, etc.



### Chemical Equipment Division

Chemical Equipment Division is a professional manufacturer integrating R&D, production and sales of graphite chemical equipment, silicon carbide equipment, anti-corrosion and energy-saving chemical equipment. It has design and manufacturing qualifications for Class I and II pressure vessels and A4 grade graphite pressure vessels, and has been classified as a national high-tech enterprise. It is the member of China Chemical Equipment Association, the member of National Standardized Equipment Technology Association, the director unit of China Industrial Anti-corrosive Technology Association, and one of the earliest enterprises in the domestic graphite chemical equipment industry. The main products are graphite heat exchangers, absorbers, graphite 2-in-1 hydrogen chloride synthesis furnaces and other graphite chemical equipment, as well as non-ferrous metal reactors, heat exchangers, towers, reactors, separators, etc. Widely used in petroleum, chemical, pharmaceutical, metallurgy, electric power, papermaking, marine engineering, environmental protection and other fields.



### Fortune Chemical Division

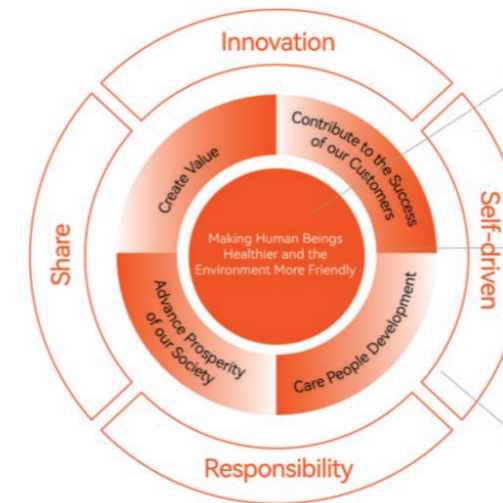
Fortune Chemical Division is located in Laiyang Economic Development Zone, dedicate in R&D, manufacturing and selling Trimethyl Orthoacetate (TOA), Diacetone Acrylamide (DAAM) and other fine chemical products. TOA is an organic compound that is miscible with organic solvents such as ethanol, ethyl ether, toluene, ethyl acetate, tetrachloromethane, etc. It is mainly used as a chemical intermediate in the production of pharmaceuticals and pesticides. DAAM is a new type of vinyl functional unit with unique physicochemical properties, which is widely used in aqueous coatings, photopolymeric resins, textile and daily chemicals, medical paper treatment and other fields.



### MetaMeat (Joint Stock Company)

MetaMeat was founded in 2020 in Shanghai, with equity investment from Head Group, to jointly promote the application of food-grade Methyl Cellulose in the field of plant meat. MetaMeat's mission is to provide safe, reliable, and sustainable food products that mitigate or eliminate the impact of animal agriculture on the planet's ecosystem while satisfying the meat lover's desire for meat flavor in a way that prioritizes their health, and promoting the sustainable development of the global food system.

## Corporate Culture



### Vision

We are Committed to Making Human Beings Healthier and the Environment more Friendly

### Mission

We Create Value  
We Contribute to the Success of our Customers  
We Care People Development  
We Advance Prosperity of our Society

### Value

Innovation, Self-driven, Responsibility, Share



Vision

Head conforms to the development trend of green, environmental, low carbon and health, relying on cellulose ether products, through persistent R&D innovation and industrial practice, integrating and optimizing the upstream and downstream industrial chain, and focusing on building green products and factories. In the future, Head will adopt a more proactive approach to assuming corporate responsibility and realizing our own sustainable development, with the goal of making positive contributions to human health and environmental friendliness.



Mission

Head adheres to industrial responsibility and humanistic care, and provides reliable products and services with fine chemical technology as the cornerstone. Encourage users to become partners in business innovation, and share the fruits of development with employees, shareholders, and cooperative customers. While creating economic value, contribute actively to social value.



Value

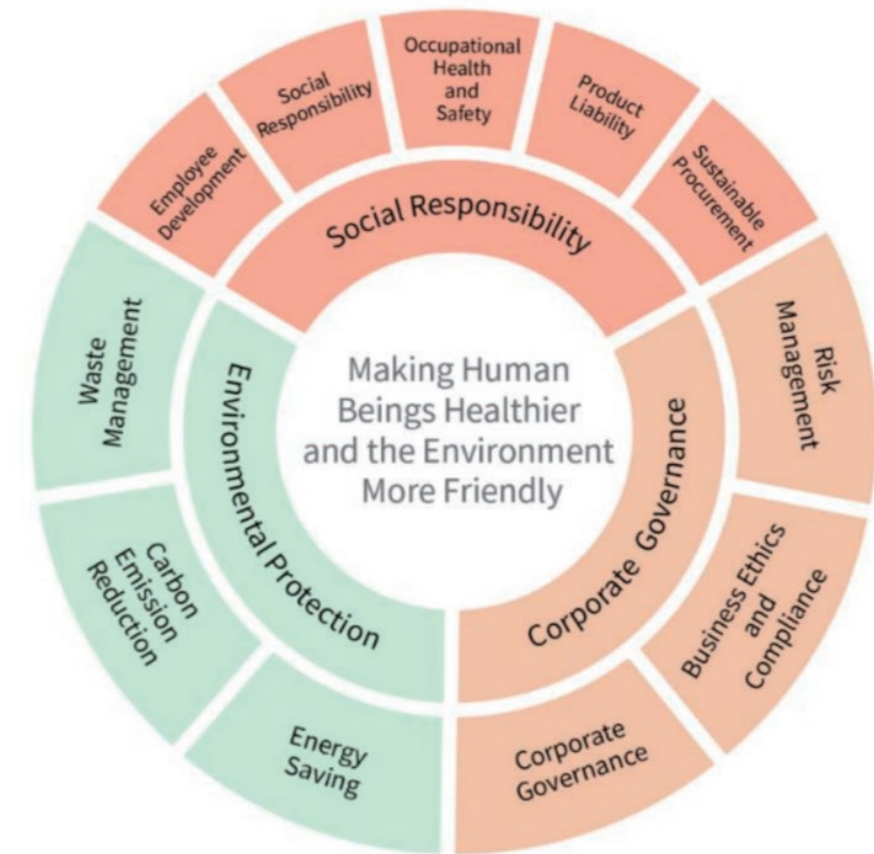
Head people strictly adhere to the behavioral and ethical guidelines. We incorporate innovative thinking in our work, foster a unique cultural consciousness and actively assuming social responsibility, share individual values and shape the brand image of Head.



# Taking Responsibility for Sustainable Development

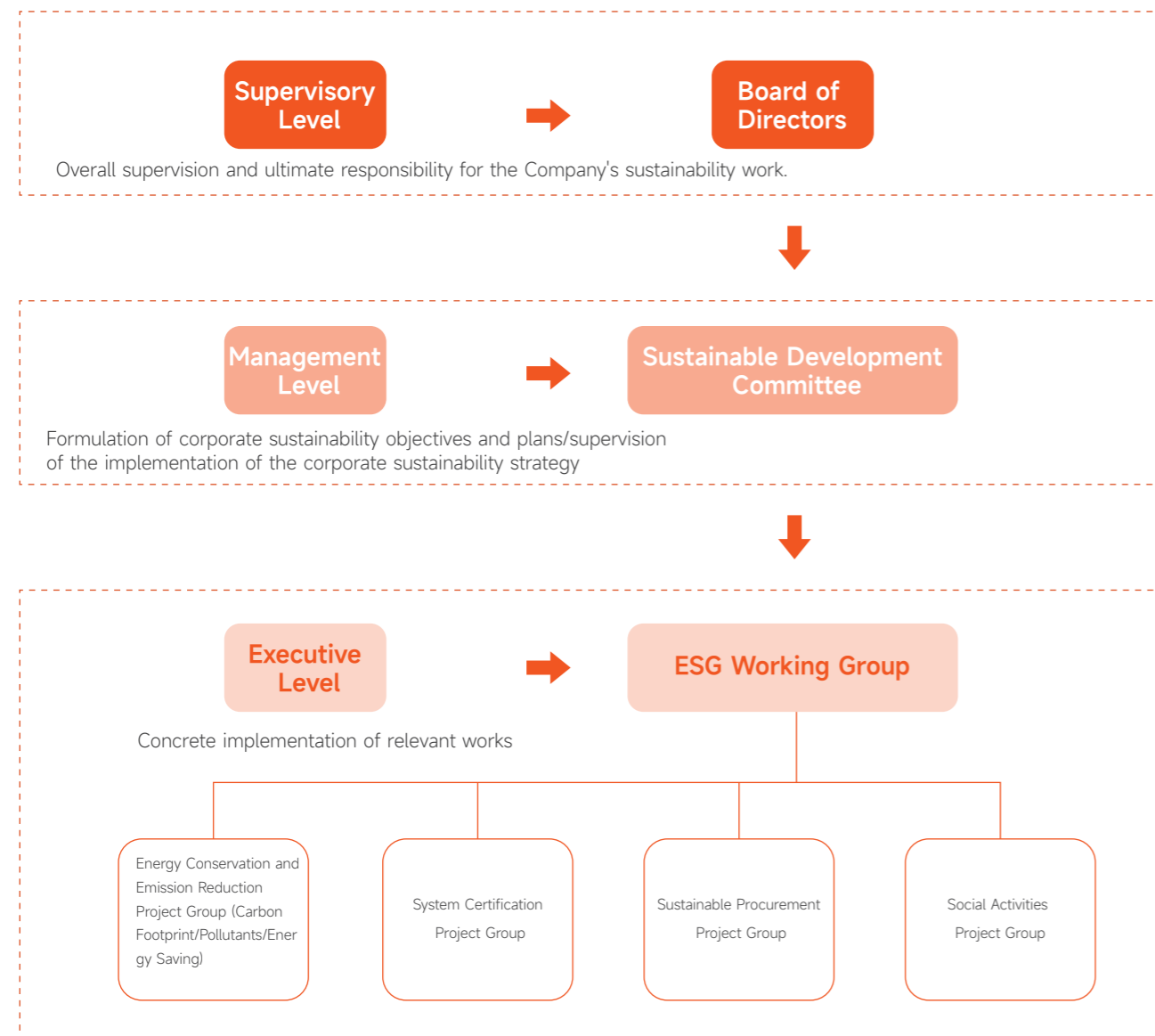
## Sustainable Development Guidelines

Adhering to the development vision of "Making Human Beings Healthier and the Environment More Friendly", and the corporate mission of "Create Value, Contribute to the Success of Our Customers, Care People Development, Advance Prosperity of Our Society", Head Group takes the initiative in practicing the concept of sustainable development, establishing and continuously improving the ESG governance structure and management policies to promote sustainable development in corporate strategy, production and operation, and corporate culture. We reinforce our commitment to social responsibility, prioritize stakeholder communication, and strive to achieve a win-win situation for the economy, environment, and society.



# Sustainable Development Structure

The Company has established a Sustainable Development Committee at the Board level, which is responsible for formulating the Company's sustainable development goals and plans, supervising the Company's work in relation to sustainable development, conducting research and making recommendations to enhance the Company's sustainable development performance, and reporting to the Board of Directors under the principle of accountability to the Board of Directors. The Company has established an ESG working group to facilitate collaboration across departments and subsidiaries in the promotion and execution of ESG-related initiatives under the guidance of management. ESG working group will submit formal proposals to the Sustainable Development Committee for the standardization of the Company's ESG work.



# Sustainable Development Goals

Management Dimension	Management Philosophy (corresponds to the title of the report)	SDGs
Corporate Governance	Building a Compliant and Stable Governance System	
Environmental Protection	Shaping an Eco-Friendly Future	
Industrial Value	Generating Exceptional Social Impact and Value	
Employee Benefits	Inspiring Talents and Career Development	
Social Responsibility	Delivering Warmth and Care	

# Sustainable Development Actions

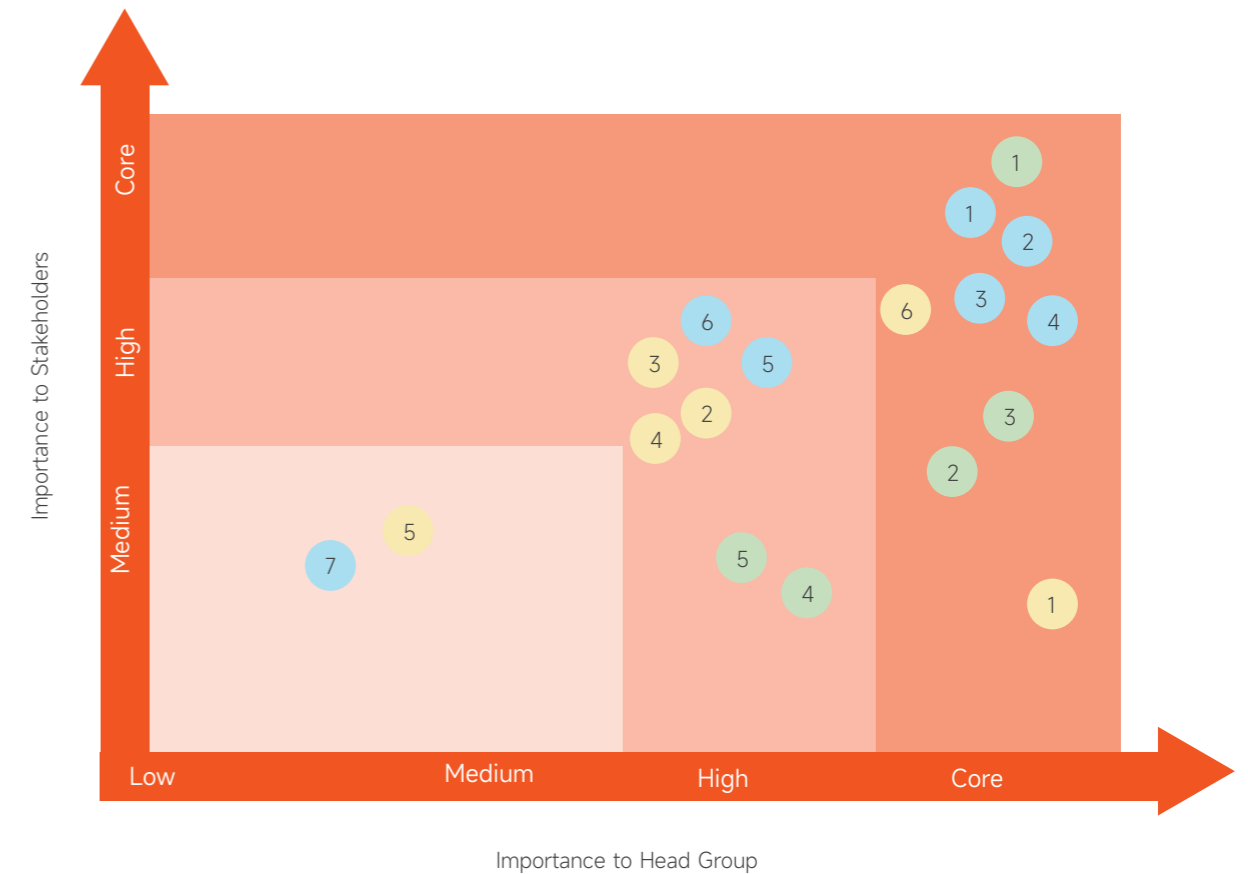
## Stakeholder Engagement

The Company attaches importance to communication with stakeholders, and strives to create more comprehensive value for stakeholders in terms of sustainable development by identifying stakeholders and their core demands, clarifying communication methods, to obtain recognition and support from all parties.

Stakeholders	Issues of Concern	Communication Method
<p>Government &amp; Regulatory Authorities</p>	<p>Fair Competition</p> <p>Anti-corruption</p> <p>Business Ethics</p>	<p>Policy Implementation</p> <p>Information Disclosure</p>
<p>Shareholders/Investors</p>	<p>Business Performance</p> <p>Information Disclosure and Communication Mechanism</p> <p>Corporate Governance</p> <p>R&amp;D Innovation</p>	<p>The Shareholders' Meeting</p> <p>Financial Reports, Announcements</p> <p>Q&amp;A on "HuDongYi" Platform</p> <p>Investor Hotline</p> <p>Performance Briefing</p>
<p>Customers</p>	<p>Integrity Management</p> <p>Product Quality</p> <p>R&amp;D Innovation</p>	<p>Customer Satisfaction Survey</p> <p>Customer Communication Channel</p>
<p>Employees</p>	<p>Occupational Health and Safety</p> <p>Coercion and Forced Labour</p> <p>Salary and Welfare</p>	<p>Employee Activities</p> <p>Occupational Health Monitoring</p> <p>Production Safety Management</p>
<p>Suppliers</p>	<p>Fair Trade</p> <p>Sustainable Supply Chain</p>	<p>Supplier Training</p> <p>Signing the Supplier Code of Conduct</p>
<p>Communities</p>	<p>Contributing to Community Development</p> <p>Community Welfare</p>	<p>Volunteer Communication</p> <p>Charitable Donation</p>

## Material Issues Matrix

The Company annually updates and continuously improves the identification of ESG issues, conducts a materiality assessment of ESG issues, and comprehensively integrates ESG issues into operation management to strengthen sustainable development management and practice. The steps for evaluating the materiality issues of the Company's sustainability are as follows: the importance assessment prioritizes issues according to their importance both to stakeholders and Head's development, categorizes issues as core issues, highly relevant issues and issues of concern, and creates an Issue Importance Matrix based on the ranking results.



- Environmental**
  - 1.Reduce Carbon Emission
  - 2.Pollutant/Waste Management
  - 3.Energy Efficiency
  - 4.Clean Technology
  - 5.Renewable Energy
- Social**
  - 1.Employee Development
  - 2.Occupational Health & Safety
  - 3.Product Responsibility
  - 4.R&D and Innovation
  - 5.Sustainable Purchasing
  - 6.Social Welfare
  - 7.Diversity and Equality of Opportunity
- Governance**
  - 1.Risk Control & Management
  - 2.Governance Structure
  - 3.Business Ethics
  - 4.Information Security
  - 5.Taxation and Job Creation
  - 6.Investor Relations Management

# Building a Compliant and Stable Governance System

---

- Corporate Governance
- Compliance Risk Control
- Ethical Business
- Investor Relationship

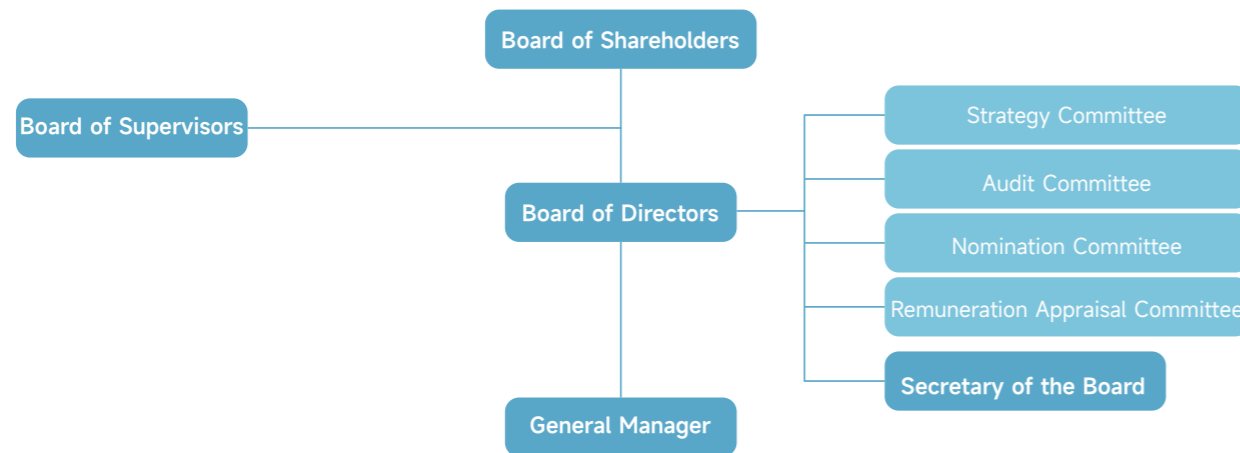
01

# Corporate Governance

## Corporate Structure

The Head Group strictly follows the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Governance Code for Listed Companies*, the *Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange* and other relevant laws and regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, builds a thorough sustainable governance structure, strengthens internal management, ensures that rights and duties among the various levels of the Company are clear and well-defined, and realizes the balance of internal power and supervision, so as to promote the healthy and stable development of the Company.

The Company is committed to transparency and fairness. The Board of Shareholders, Board of Directors, Board of Supervisors and senior managements all execute their powers and duties in accordance with relevant laws and regulations, making full use of their professional strengths and achieving efficient synergy to ensure that all decision-making processes are open, fair and just.



○ Corporate Governance Structure

## Governing Bodies Operation

### Shareholders and Board of Shareholders

The Company strictly regulates the convening, holding and voting procedures of the general meeting of shareholder's to ensure that all shareholders have equal status and sufficient space to execute their power. In accordance with relevant laws and regulations and the *Articles of Association*, the Company formulates the *Rules of Procedure for the Board of Shareholders*, which stipulate that matters to be voted on by the board of shareholders shall be approved and submitted to the general meeting of shareholders for consideration, in accordance with the corresponding authority, to eliminate ultra vires approvals or implementation before consideration.

### Key Performance

During the reporting period, the General Meeting of Shareholder's was held **6** times.

The Extraordinary General Meeting of Shareholder's was held **5** times.

A total of **26** proposals was adopted.

### Directors and Board of Directors

The Company adheres to the *Articles of Association* and the *Rules of Procedure of the Board of Directors* in convening and holding Board of Directors meetings, exercises powers in accordance with the law, and facilitates the active role of the Company's directors, particularly the independent directors, in the standardized operation of the Company. The Board of Directors operates in accordance with the internal control system requirements concerned, fulfills obligations diligently, and ensures the correctness of the Company's strategies and the effectiveness of implementation through adequate discussions and prudent decision-making.

### Diversity on Board of Directors

The Company focuses on the diversity of the Board of Directors, including but not limited to their positions held, age levels, cultural and educational backgrounds, professional experience, and skills. The present members of the Board of Directors actively use their respective expertise to support and guarantee the Company's decision-making, effectively optimizing the efficiency and quality of decisions. During the reporting period, independent directors account for **42.9%** of the Board members and **57.14%** hold a master degree.

Member		Unit	2023
Total Number of Board of Directors		Persons	7
Positions Held	Non-Independent Directors	Persons	4
	Independent Directors	Persons	3
Ages	41-50 Years Old	Persons	2
	51-60 Years Old	Persons	4
	61 Years Old and Above	Persons	1
Academic Career	Bachelor Degree	Persons	3
	Master Degree	Persons	4
Education Background	Management	Persons	2
	Accounting	Persons	2
	Law	Persons	1
	Engineering	Persons	2

## Board Independence

The Company attaches great importance to the independence of the Board of Directors and conducts related work in accordance with the requirements of the *Independent Directors System* and other internal control systems, contributing wisdom and strength to the steady development. The independent directors fulfill their duties independently, protect the interests of the entire company, prioritize the legitimate interests of small and medium-sized shareholders, and provide objective and impartial opinions on significant and important matters.

The Company's Board of Directors is comprised of 4 special committees: the Strategy Committee, Audit Committee, Nomination Committee, and Remuneration and Evaluation Committee. These committees are responsible for the Company's development strategy and audit, as well as the nomination, selection, management, and evaluation of directors and senior management, respectively.

### Key Performance

During the reporting period,

the board meeting was held **10** times, **58** board resolutions were adopted, average attendance of directors was **100%**.

The special committees meeting was held **18** times, with **43** proposals considered.

Including:

The strategy committee session was held **5** times, with **17** proposals considered;

The audit committee session was held **5** times, with **16** proposals considered;

The nomination committee session was held **3** times, with **4** proposals considered;

The remuneration appraisal committee session was held **5** times, with **6** proposals considered;



## Supervisors and Board of Supervisors

There are 3 members on the Board of Supervisors of the Company, one of whom is elected by the Congress of Worker and Staff, as the employee representative supervisor. As the supervisory body of the Company, Board of Supervisors is accountable to the Board of Shareholders in accordance with the relevant requirements of the *Rules of Procedure of the Board of Supervisors* and has effectively supervised the Company's material affairs, financial condition and the duties performed by directors and senior management with a view to legality and compliance.

### Key Performance

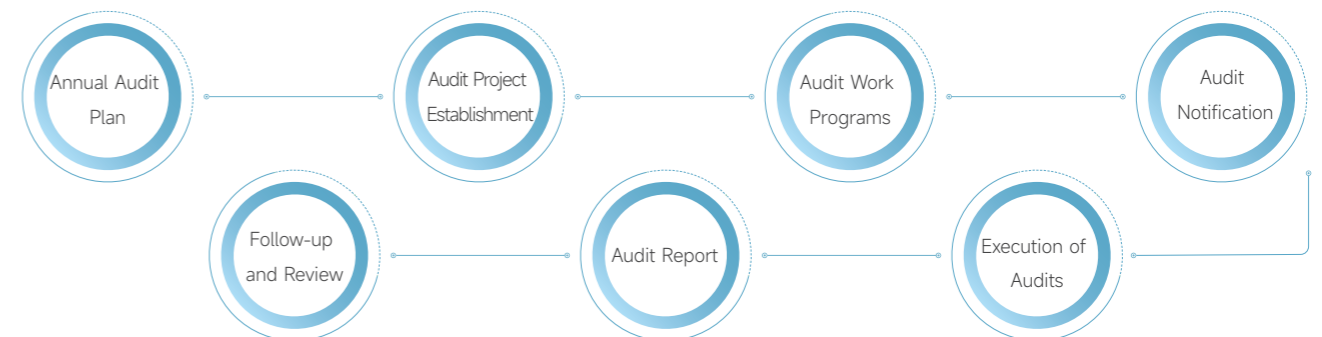
During the reporting period, the Board of Supervisors meeting was held **10** times, with **34** proposals considered, the average attendance of supervisors was **100%**.

## Compliance Risk Control

### Internal Control

Head Group formulates the *Internal Control System in accordance with the Accounting Law of the People's Republic of China*, the Basic Internal Control Norms for Enterprises and other laws and regulations, to strengthen the Company's internal control management and improve the self-restraint mechanism. At the same time, the Company formulates an internal control supervision system, clarifies the responsibilities and authorities of the audit department in internal supervision; standardizes the procedures, methods and requirements of internal supervision; conducts regular self-assessment of the effectiveness of internal control, and issues an internal control self-assessment report, in order to ensure the realization of the Company's business strategy objectives.

The Company strengthens internal audit work and formulates the *Internal Audit System*, which clearly stipulates the work responsibility, authority and workflow of the audit department to ensure the independence of the internal audit organization setting, staffing and working. Combined with internal audit supervision, the Company's audit department supervises and inspects the effectiveness of internal control to effectively prevent related risks.



Internal Audit & Reporting Process

## Risk Management

The Company has strengthened risk management and established the *Comprehensive Risk Management System*, following the principles of comprehensive, important, checks and balances, adaptable, and cost-effective. With the basic process of risk assessing, controlling, monitoring, improving and reporting, Head Group implements proper control measures for internal and external uncertainties that may affect the Group's interests in operations, to ensure that all types of risks can be identified promptly and managed effectively .

### Head Group Risk Management Sharing Training

In order to improve the ability of employees to identify, assess, respond to and monitor risks, and to strengthen the understanding of the significance of risk management, the Company conducted a risk management training. The training involved case studies, group discussions and other interactive sessions, which helped employees to gain a deeper understanding of the practical application of risk management and enhance the Company's overall awareness of risk prevention.



### Key Performance

During the reporting period, the Company conducted the internal risk training **6** times, totaling **6** hours with **132** participants.

## Tax Management

The Company attach great importance to tax management. We adhere to the tax laws and regulations of the country, formulate the *Tax Declaration Management System*, and establish an independent financial accounting system, standardize our tax declaration procedures, ensure the standardization, accuracy and timeliness of tax processing; the declarant, auditor and approver hierarchically assume their respective responsibilities and make joint efforts to prevent and solve the tax risks.

### Key Performance

During the reporting period, the Company actual paid tax amounted to CNY **130.08** million, and no negative incidents such as tax evasion occurred.

## Related Party Transaction

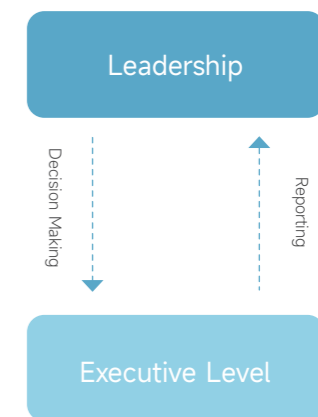
To ensure that transactions between Head Group and related parties are fair, impartial, and transparent, and to protect the legitimate rights and interests of investors particularly those small and medium-sized investors, the Company has established the *Related Party Transaction Management System* in accordance with the relevant laws and regulations and the Company's Articles of Association. This system clearly stipulates the disclosure and procedures for the connected transactions, ensuring that they are in compliance with the law and fairness.

## Ethical Business

### Anti-Corruption and Anti-Bribery Management

Head Group gives play to the leading role in the field of business ethics, and formulates the *Integrity Management System*, which makes a clear prohibition for all employees to seek undue benefits, misappropriation of public funds and other behaviors. We adopt the *Objectives of Ethical Business Conduct* to set high standards for business ethics, compliance management, employee safety, responsible supply, and other requirements. The *Code of Ethical Business Conduct* serves as a principle compliance guideline for the Company's business management behavior and employee behavior., we encourage business partners (including but not limited to suppliers, contractors, service providers, etc.) to abide and maintain the Code.

We set up Head Group Integrity Construction Team, consisting of the Group President and General Managers of all business divisions as the leadership, responsible for anti-corruption, anti-bribery, anti-monopoly and anti-unfair competition work; the executive level consists of the Managers' Office members, which creates a noble working environment by continuously improving the integrity management system, and embedding anti-corruption and anti-unfair competition into the Company's governance and business processes.



○ Head's Clean Governance Building Group

### Anti-Corruption and Anti-Bribery Measures

The Company has established a comprehensively covered business ethics system to prevent and control integrity risks, conducts regular risk identification and assessment through the Assessment of Business Ethics Risk Factors, as well as supervises and rectifies identified problems. The Audit Department of Head Group conducted an annual special audit of procurement management in November 2023. Effective bidding or price inquiry through SRM and automatic control of information system are applied in accordance with the requirements of the Company's systems in high corruption risk areas, no corruption signs have been observed among the relevant personnel.

The Company has established a system for reporting complaints and whistle blower protection system, set up a complaint and reporting mailbox and a special hotline for reporting. Employees can provide information on possible violations in anonymity or confidentiality, the Company is strictly prohibited to disclose the informant's situation to the reported person or department. When investigating and verifying the situation, the raw materials or copies of the report should not be presented; the person making the report should not be exposed; the handwriting of anonymous reports and materials should not be identified; and the materials should not be lent to the public at will.

Business Ethics Hotline	E-mail Address	Mailing Address
Audit Department 0533-6558816 Human Resource Department 0533-6693073	audit@sdhead.com	China, Shandong, Zibo. Head Road No. 999 Shandong Head Group Co., Ltd.

The Company is "Zero-Tolerance" to any commercial bribery and corruption of any employee, strictly prohibit any form of bribery and acceptance of bribes. Every year, we regularly organize all employees to sign the Letter of Integrity Commitment according to their positions and grades, declaring and disclosing their integrity conditions during employment, so as to ensure that there is no violation of integrity management during employment. The cooperation enterprises of Head Group create a clean and honest business environment with us by signing the *Integrity Agreement of the Cooperation Parties*.

**Key Performance**

During the reporting period,  
 the *Letter of Integrity Commitment* covered all employees, realizing a signing ratio of **100%**;  
 the number of *Integrity Agreement of the Cooperation Parties* signed with partners exceeded **660**.

Head Group engaged an external law firm to conduct the *Compliance Training for Managers in the Performance of Duties*. All managers at the supervisory level and above are required to participate in the training activities through Head School, an online learning lecture hall.

### Compliance Training for Managers in the Performance of Duties

In August 2023, the Company conducted compliance management training for managers (supervisors and above). This training was delivered in a combination of online and offline, covered all managers. During the reporting period, managers at supervisor level and above participated in compliance training on over 200 person-times, with a 100% participation rate.



## Anti-Monopoly and Anti-Unfair Competition

Head Group strictly complies with the *Anti-Unfair Competition Law of the People's Republic of China*, *Anti-Monopoly Law of the People's Republic of China* and applicable national and regional anti-monopoly and anti-unfairness related laws and regulations necessary for the development of our businesses. We are committed to maintaining fair competition with other industry partners through ethical business practices and adherence to legal and regulatory standards. Our policies prohibit the engagement or participation in any monopoly agreements or transactions, as well as the abuse of a dominant market position or other violations of the regulation.

During the reporting period, Head Group did not engage in any behavior that might affect fair competition.

### Anti-Monopoly and Anti-Unfair Competition Management

▶ We have not entered into any monopoly agreement with any organization or unit of the nature of "Cartel", "Syndicat", "Trust", "Konzern", etc., nor have we joined any monopoly organization of the nature of "Cartel", "Syndicat", "Trust", "Konzern", etc.

▶ No bundling of sales or differential pricing in order to suppress competition in the market or exclude competitors.



▶ No collusion or cooperation with others to divide the market, adjust prices or restrict production or sales.

▶ No abuse of a dominant position of market power by adopting unfair means such as excluding competitors and preventing market entry.

▶ No unlawful concentration of operators has been conducted.

▶ No unfair pricing practices have been committed and no actions have been taken that might be suspected of dumping at low prices.

### Anti-Monopoly Targets for 2023

### Target Achievement

Never engage in any competitive behavior that violates laws and regulations, contravenes business ethics, or disrupts market order, and achieve the goal of "zero anti-monopoly investigations".

✔ All Achieved

### Key Performance

During the reporting period, no internal employee disciplinary or business ethics violations were found.



### Anti-Fraud

The Company regards job fraud arising from employees' moral risks as a core element of fraud risk management, advocates a corporate culture of integrity, improves the mechanism of personnel selection and on-job performance checking, clarifies job responsibilities, and incorporates fraud risk management into internal auditing scope.

### Anti-Embezzlement

The Company has established anti-embezzlement mechanisms, adheres to the principle of "combining punishment and prevention, emphasizing on prevention", clarifying the key areas, key links, and the responsibilities and authorities of the relevant organizations in anti-embezzlement work, to standardize the procedures for whistle-blowing, investigating, handling, reporting, and remedying cases of embezzlement.

### Anti-Money Laundering

The Company strictly complies with the applicable anti-money laundering laws and regulations in China and the countries (regions) where the business operates. Our employees perform due diligence on business partners to ensure that we choose to cooperate with counter-parties with legal funding sources and good reputations for their business activities. Head Group will never engage in money laundering or provide assistance or facilitate money laundering to others. All employees are required to comply with accounting, bookkeeping and other relevant financial regulations regarding cash and payments. The Company and our employees are firmly against terrorism and will not assist or facilitate it.

During the reporting period, the Company was not involved in any bribery, fraud, interest conflicts or money laundering, nor suffered any civil, administrative or criminal liabilities for bribery, fraud, interest conflicts and money laundering.

## Investor Relationship

### Information Disclosure

The Company strictly fulfills the information disclosure obligations, standardizes the information disclosure process and strengthens the quality of information disclosure in accordance with the *Information Disclosure Management System*, the *Management System for Insider Information Insider Registration*, the *Articles of Association* and other institutional documents to ensure truthful, accurate, complete and timely information disclosure in order to guarantee the openness of the Company's operation.

The Company reports the financial changes, operating conditions and other information and details to the directors and shareholders periodically, as well as disclosing the information publicly to all investors to continuously improve the transparency of the information. *China Securities Journal*, *Securities Times*, *ShangHai Securities News* and *Securities Daily* is the designated newspaper for information disclosure of the Company, and [www.cninfo.com.cn](http://www.cninfo.com.cn) is the designated website for information disclosure.

### Key Performance

During the reporting period, the Company disclosed **6** periodic reports and **106** temporary announcements to the public. There were **0** instances of penalties for violations in information disclosure.

## Shareholder Return

Head Group is committed to the sustainable enterprise development, shareholder return, and the implementation of the Articles of Association regarding decision-making procedure of the Company's profit distribution. To ensure that both new and existing shareholders receive reasonable and stable investment returns, and to enhance transparency and improve transparency and operational efficiency in the decision-making process of profit distribution, the Group has formulated the Dividend and Return Plan for the Next Three Years (2022-2024). Since listing, the Company has implemented cash dividends every consecutive year, and distributed a total of CNY241,615,300 in cash dividends, with a cumulative dividend rate of 19.06%. In the past three years, the Company has implemented cash dividends every consecutive year, and distributed a total of CNY136,953,500 in cash dividends, with a cumulative dividend rate of 14.64%.

### Cash Dividends for the Last Three Years

Indicator	Unit	2021	2022	2023
Cash dividends per 10 shares	CNY	1	3	2
Total cash distribution	CNY10,000	3,425.76	10,273.02	6,834
Proportion of net profit attributable to shareholders of the listed company in the consolidated financial statements	%	10.4	29.04	30.86

## Investor Relationship Management

Head Group has continued to manage investor relations, develop the *Investor Relations Management System*, and deepen communication with investors to enhance their understanding and identification with the Company, to maximize the value of the Company and the interests of shareholders.

Through holding performance briefing, receiving investors on-site research, investor hotline, Investor Relations Management Column on the Company's website, investor communication groups and "Hudongyi" platform of Shenzhen Stock Exchange, the Company conducts deep interaction with investors, responds to investor concerns, and pays attention to the protection of the investors' right to know, right to vote and other legitimate rights and interests. The Company attaches particular importance to communication and exchange with small and medium-sized shareholders, fully listening to their views and demands, and answering their questions.

### Performance Briefing



### Key Performance

During the reporting period,

**2** investor open communication sessions were held,

**298** investor calls were received

**172** replies on "Hudongyi" platform, with a response rate of **100%**.

### Investor Information Exchange Channel

Contact Name: Songling Bee

Tel: 0533-6696036

E-mail: hdzqb@sdhead.com

Contact Name: Lili Hu

Tel: 0533-6696036

E-mail: hdzqb@sdhead.com

# Shaping an Eco-Friendly Future

---

- Environmental Management
- Energy and Resource Management
- Pollution Control

02

# Environmental Management

## Environmental Management System

Head Group compiles and publishes internal management systems such as the *Management System for Environmental Protection Responsibility*, the *Environmental Operation Control Procedures* and the *Control Procedures for Identification and Evaluation of Environmental Factors*, strictly in accordance with the requirements of national laws and regulations such as the Environmental Protection Law of the People's Republic of China and the requirements of regulations and policies of other locations where the Company operates, so as to strengthen the management of environmental protection and to fully implement the system of responsibility for environmental protection. During the reporting period, the Company did not experience any major environmental accidents.

Environmental Management Targets for 2023		
Management Target	Indicator	Target Achievement
Major environmental accidents	0	All Achieved ✓
Standard discharge rate of waste water	100%	
Standard discharge rate of waste gas	100%	
Standard discharge rate of noise	100%	
Standard discharge rate of solid waste	100%	

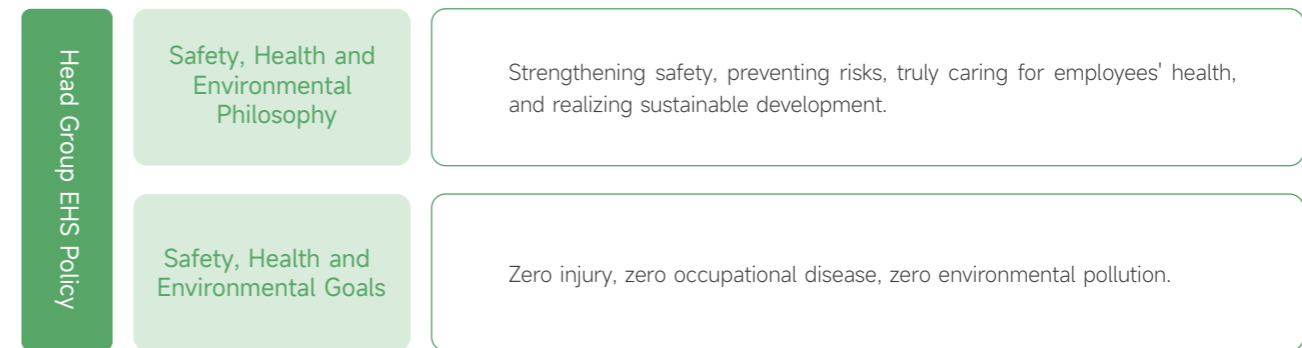
Environmental Management Targets for 2024	
Management Target	Indicator
Major environmental accidents	0
Standard discharge rate of waste water	100%
Standard discharge rate of waste gas	100%
Standard discharge rate of noise	100%
Standard discharge rate of solid waste	100%



## Priority Environmental Work Programme

- ▶ Constructing and continuously improving the statistical system of environmental protection data, such as material balance, water balance and carbon emission, to improve our environmental protection management level.
- ▶ Continuously optimize the management process of hazardous waste transfer and disposal to enhance the efficiency of hazardous waste disposal.
- ▶ Improve the operational efficiency of sewage stations and strengthen wastewater discharge management.
- ▶ Continuously improve the efficiency and stability of the operation of environmental protection facilities.
- ▶ Regularly conduct the environmental audits of factory and strengthen the construction of environmental training and education.

Each division of Head Group has its own environmental department, which is responsible for environmental management. Under the guidance of environmental objectives and policies, we ensure the effective implementation and execution of all environmental management measures.



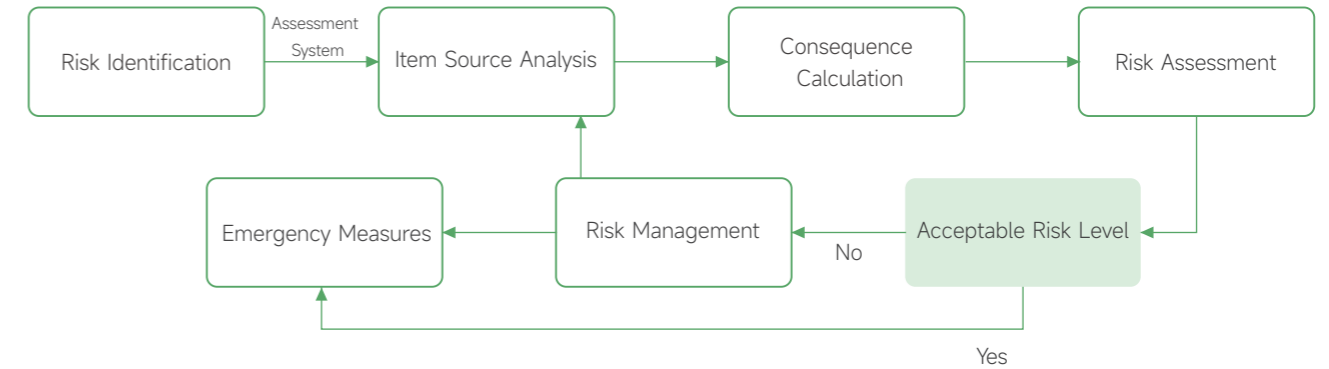
## Responsibilities of the Department of Environmental Protection

- ▶ Responsible for organizing the environmental management and environmental monitoring of the Company.
- ▶ Responsible for the organization and implementation of the Company's emissions declaration, supervision and implementation of pollutant reduction and contingency plan.
- ▶ Responsible for environmental protection facilities ledgers and record specification; supervise and inspect the operation of our environmental protection equipment and facilities; supervise and inspect the management of pollutants.
- ▶ Responsible for overseeing the compliant discharge of waste water and waste gas, and the compliant management of solid waste; responsible for the Company's storage and transfer of hazardous waste with complete procedures and standardized records.
- ▶ Participate in the research and review of proposals for new construction, expansion and renovation projects, and organize the environmental evaluation and acceptance of the completion of projects.
- ▶ Responsible for organizing internal and external monitoring of the Company's environment and filing environmental protection information.
- ▶ Responsible for organizing publicity and education on environmental protection laws and regulations for our employees.

Based on ISO 14001, Head Group has revised and improved the environmental management related system, fully equipped with full-time and part-time environmental management personnel, and improved the regular working mechanism of risk investigation and notification, so as to continue to consolidate the system guarantee. By the end of the reporting period, Head Group has passed the ISO 14001:2015 Environmental Management Systems; Healsee has obtained the National Green Factory Certification.



○ Environmental Management System Certification



○ Environmental Emergencies Risk Assessment Procedure Chart

Head Group has strengthened the monitoring and response to environmental risks, conducted special assessment of hidden risks, issued environmental self-monitoring reports, formulated the *Environmental Hidden Risk Investigation Responsibility System*, effectively optimized the management of hidden risks, and steadily improved the management level. During the reporting period, Head Group conducted regular internal inspections every month, and all the problems found have been quickly rectified; **9 times** external environmental protection inspections were accepted, **8 problems** have been fully rectified; conducted the self-tests quarterly, and all the pollutant factors have met the emission standards.

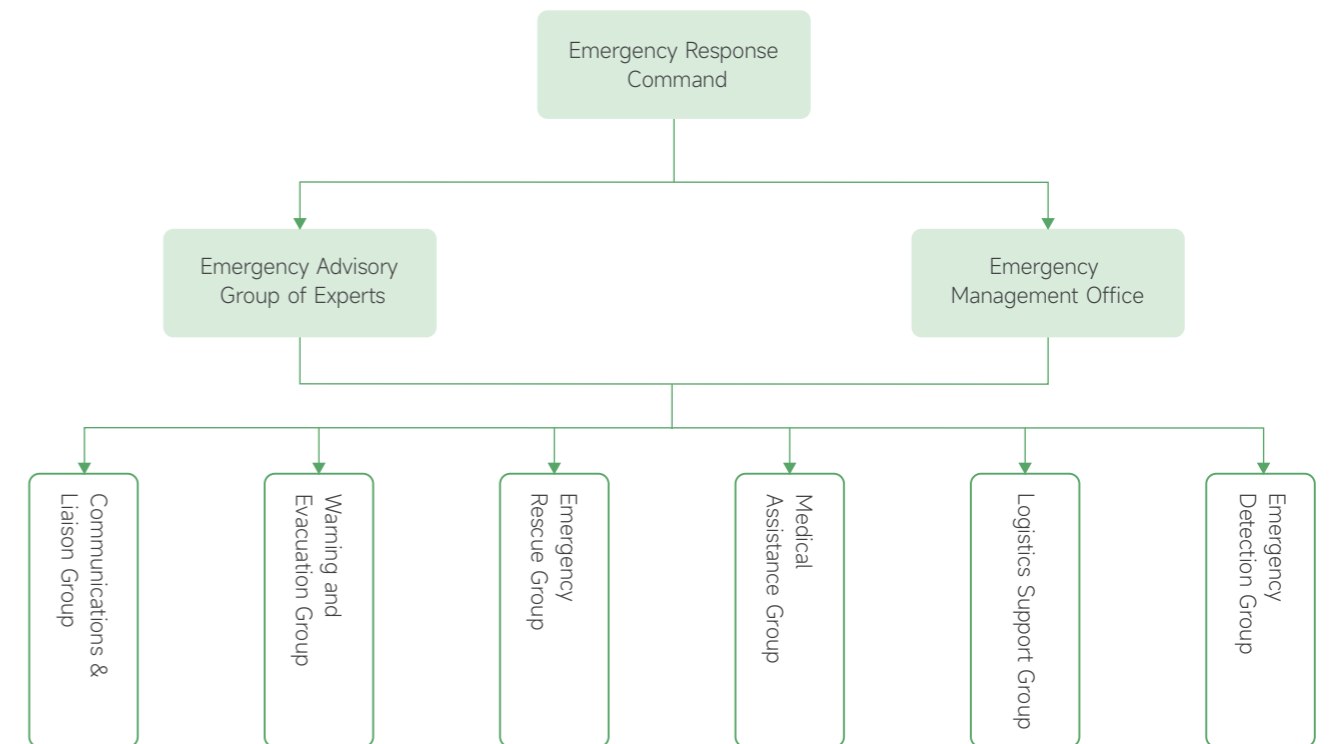
In order to improve our ability to prevent and dispose of environmental pollution emergencies, we have formulated the *Contingency Plan for Environmental Emergencies*, and established a fast, scientific and effective emergency mechanism for accident rescue and relief in case of emergency. Meanwhile, we regularly organize protection training and emergency drills for employees. During the reporting period, Head Group conducted **4 times environmental emergency drills**.

Indicator	Unit	2021	2022	2023
Total environmental investment	CNY10,000	5,452.92	4,902.12	8,804.43
Total environmental expenses as a percentage of operating revenue	%	3.49	2.84	5.66

## Environmental Risk Management

### Risk Identification and Assessment

Head Group establishes control procedures for the identification and evaluation of environmental factors, controls the identification and evaluation of important environmental risk factors through the *Control Procedures for Policies, Objectives, Indicators and Management Programmes*, the *Control Procedures for Environmental Operation* and the *Control Procedures for Emergency Preparedness and Response*, and takes improvement measures promptly, to strengthen the Company's management of the internal and external environments of the organization, and to minimize and eliminate the environmental risks of the production and operation as possible. During the reporting period, each project were received approval for Environmental Impact Assessment.



○ Environmental Emergency Response Organization

## Our Approach and Action

Head Group adheres to the sustainable development concept of "Making Human Beings Healthier and the Environment More Friendly", implements green transformation, combines low-carbon operation, promotes the green and low-carbon transformation of the energy structure and synergistic improves the ecological and environmental quality.

### Environmental Governance Upgrading Project

The Company actively promotes cleaner production, and has established a sound environmental protection facilities with a total investment of more than CNY400 million by joining hands with the environmental engineering group of Nanjing University and Zhejiang Province. Taking "upgrading and improving VOCs management", "optimizing and improving waste water treatment" as the entry point, the Company has carried out environmental governance upgrading and transformation, reduced the risk of hazardous waste storage and transfer, and realized the comprehensive utilization of hazardous waste resourcing and reduction, which is in line with the requirements of cleaner production.



The Company further increased the publicity for the concept of green office, to create an energy-saving atmosphere for all staff; called on all staff to join the green low-carbon office and green travel activities, and replaced with new energy vehicles, which has played a positive role in improving air quality and protecting the environment.

### Volunteer Walking Activity on "Low Carbon Life and Green Travel"

In October 2023, the "Low Carbon Life and Green Travel" volunteer walking activity initiated by Head Group was successfully held in Wenchang Lake. This activity aims to promote the development of the Group's public welfare undertakings, advocate the concept of "green life" and promote the lifestyle of green travel.



### Head Group's Vehicle "Oil into Electricity" to Promote Green Travel

Head Group has fully replaced new energy vehicles to achieve the goal of green travel, actively promote the use of clean energy, and promote the reduction of energy consumption and carbon emissions.



In daily work, the Company actively promotes green office actions in all parts such as office supplies management, water and electricity saving, vehicle management, which effectively realizes energy saving and emission reduction in the office, promotes the sustainable development between enterprise and society.

### Green Office Initiatives

- ▶ All washrooms have been installed with induction type water device to effectively reduce non-essential water consumption.
- ▶ The air-conditioning and fluorescent lighting systems are controlled by zones to ensure that they are switched off in a timely manner in unoccupied areas, while we use sound-activated lights in sparsely populated areas to further conserve power.
- ▶ A system of accountability is used in conference rooms, whereby the last person to leave is responsible for ensuring that all lights and power are switched off in order to reduce unnecessary energy wastage.
- ▶ Encourage double-sided printing to reduce paper use and reuse misprinted paper by printing non-essential documents on the back side to improve the utilization rate of paper.
- ▶ Shower rooms are open on schedule and use high-pressure showerheads to scientifically control water use while maintaining bathing efficiency.



○ Starting from the little things around us, promote green office

The Company actively carried out environmental protection capability training and awareness-raising work for all employees. During the reporting period, 4 environmental protection-related specialized trainings were carried out, covering environmental protection regulations, solid waste management, environmental emergency contingency plan and others, covering 820 employees and 6.5 hours of cumulative training duration.

### Environmental Management Knowledge Training

In March 2023, the Company organized the staff of safety, environmental protection, production and other related departments to carry out environmental management knowledge training, which covered environmental protection knowledge, environmental factors involved in the department and the post, as well as the management and the hazards of water pollution. After the evaluation, all participants received excellent results., and effectively enhance the awareness of environmental protection and legal compliance.



○ Training on Environmental Laws and Regulations



○ Environmental Contingency Plan Training



○ Field Environmental Slogans



# Energy and Resource Management

## Energy Management System

Head Group strictly follows *Law of the People's Republic of China on Energy Conservation* and other laws and regulations related to resource conservation, and has formulated the *Energy Management Manual* and the *Energy Management System Procedure Document* to reduce carbon emissions during the production, construction and operation stages. By formulating a series of standards for energy efficiency, energy consumption limits, metering and monitoring, and organically combining other energy management requirements, the Company promotes the integrated construction of energy management, and facilitates the realization of the Company's energy saving, consumption reduction and emission reduction goals.

### Energy Management System - (PDCA) Closed-loop Management of the Whole Process



Plan

Establishment of an energy policy and energy management team, taking into account the risk management of energy reviews, establishment of energy performance parameters, energy benchmarks, targets and energy indicators, and planning of measures accordingly.



Do

Implementation of measures programme, operation and maintenance controls, information exchange, ensuring competence and consideration of energy performance in design and procurement.



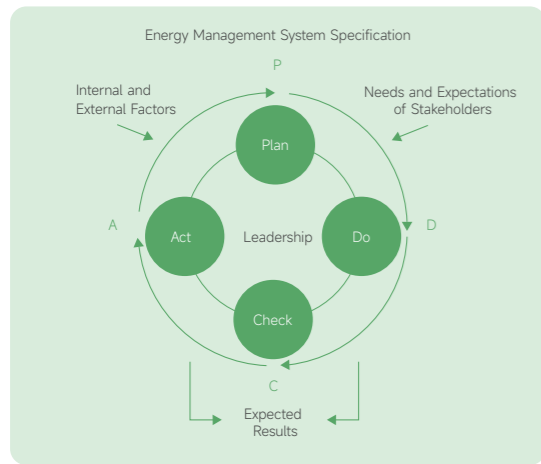
Check

Monitoring, measuring, analyzing and evaluating energy performance and energy management systems, and implementing internal audits and management reviews.

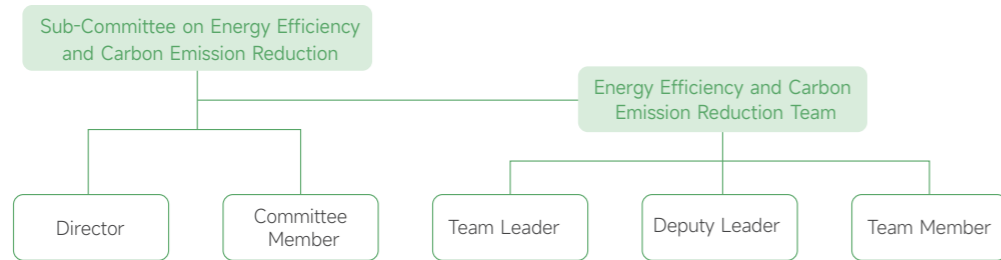


Action

Taking measures to address irregularities and continuously improving energy performance and energy management systems.



The *Energy Management System* compiled by the Company makes clear requirements for the management of electricity, water, steam and natural gas. At the same time, the Company also set up a sub-committee on energy saving and emission reduction, under which an energy saving and emission reduction group was set up to implement energy saving and emission reduction related work into the regular work of each department and each level, to further supplement the Company's environmental management structure and enhance the staff's awareness of environmental protection.



○ Organization Structure for Energy Saving and Emission Reduction

### Head Group's Carbon Peak and Carbon Neutrality Target

In order to cope with the challenges brought by global climate change and promote industrial transformation and upgrading, Head Group actively responds to the call of the international community and **puts forward the vision of 2030 Carbon Peak and 2050 Carbon Neutral**, taking into account the actual development of the business.

In order to further implement the policy of "energy saving, energy efficiency, contribution to society and continuous improvement", Head Group conducts a series of audits on the energy management system, including third-party external audits, regular internal audits and special audits, etc., and consolidates and issues improvement suggestions for the existing problems, so as to optimize and upgrade the system on a continuous basis. During the reporting period, Healsee has passed the ISO 50001 energy management system certification and supervised the efficient operation of the energy management system.



○ Energy Management System Certificate

## Energy-Saving and Emission Reduction Initiatives

Head Group is actively exploring the application of green and clean, high-efficiency and low-carbon green technologies, carrying out low-carbon and green technology projects, adopting low-carbon and green technologies to empower environmental protection and efficiency, and contributing to the construction of environmentally friendly society.

Energy Efficiency Project		
Project Name	Energy Saving Method	Energy Saving Effect
Biogas instead of natural gas for hot air stoves	Partial substitution of natural gas by self-produced biogas to promote resource recycling	Natural gas savings of about 3,000 m <sup>3</sup> /day



### Photovoltaic Power Generation Construction

In order to further expand the use of green power and promote low-carbon development, Healsee invested in photovoltaic power generation according to local conditions and signed the *Distributed Photovoltaic Power Station Energy Co-operation Agreement* on the "Rooftop Distributed Photovoltaic Power Station Project" with Zibo Hexian Photovoltaic New Energy Co., Ltd. on the "Rooftop Distributed Photovoltaic Power Station Project". The electricity is preferred for the Company's normal production use, and the remaining electricity is connected to the public power grid. During the reporting period, the average annual power generation of the PV plant was 1.18 million kWh, which is expected to reduce 972.32 tons of carbon emissions and save CNY573,147.62 in electricity costs (excluding tax).



## Energy Saving and Emission Reduction Measures



- ▶ Control the length of lighting at night, prohibit long lights and sight good time to light up, so that people go lights off
- ▶ Switch off electrical equipment not in use for long periods of time to save power consumption in standby mode
- ▶ Rationalize operating procedures to reduce idling time of major equipment on site
- ▶ Replacement of variable-frequency energy-saving motors and elimination of high-energy-consuming equipment in accordance with the actual situation





Steam

- ▶ Regularly inspect steam pipelines and steam points, and report leaks timely
- ▶ Carefully regulate the flux of steam, pay attention to the observation of temperature changes; close the steam valve in time when the required process temperature is reached to avoid wasting energy.
- ▶ For equipment that uses steam intermittently, shut down the steam lines of equipment that is out of service during the intermittent phase of the process to prevent heat loss and reduce the generation of condensate
- ▶ Experiment from the process point of view, in order to meet the premise of production, as far as possible to reduce the use of steam parameters



Gas

- ▶ Further increase in the utilization of biogas and DME as a substitute for natural gas
- ▶ Regularly inspect natural gas lines and equipment to detect and address leaks
- ▶ Strengthen the control of the hot blast furnace temperature to ensure that the temperature is in the optimal zone

### Installation of Steam Desuperheating and Depressurisation Devices

During the reporting period, Healsee analyzed the current steam characteristics and decided to install a steam desuperheating and depressurisation devices on the main line to cool down the superheated steam to saturated steam before it is used for process heat exchange. By recording the operation of the heat exchange equipment every month, comparing the output and unit consumption, and summarizing the results of energy saving and consumption reduction experience, Healsee concluded that this device can effectively improve the heat exchange efficiency, reduce the failure rate of the heat exchange equipment, and effectively save steam energy consumption. After the transformation, the steam consumption of per 10,000 capsules decreased by 19.5%, effectively promoting the innovation and upgrading of energy-saving and emission reduction technology and application transformation.



Head Group endeavors to improve the comprehensive use of resources and continuously strengthen the relevant normative management in the process of operation, to achieve energy saving and environmental protection in parallel; taking energy management as the main hand to reduce direct emissions, we practice low-carbon production and operation in all aspects through energy-saving efficiency, lean improvement, renewable energy substitution, and energy-saving publicity for all employees..

### Greenhouse Gas Emissions Related to Company Operations

	Energy	Emission source
Direct Emission	Gas	TO/RTO furnace; hot air oven; canteen
	Biogas	Hot air oven; biogas boiler, TO furnace
	Diesel	Forklift; diesel fire pump
	Waste gas and waste liquids	TO; RTO
Indirect Emission		Energy
		Steam
		Electricity

During the reporting period, the Company continued to strengthen the management of carbon emissions, entered into a carbon footprint contract with NOA, carried out carbon inventory, tracked the carbon footprints of enterprises and products, and worked on consolidating the data foundation, promoting the achievement of emission reduction targets and realizing carbon neutrality of annual operations to enhance the quality of carbon emission data management.

### The Company Implemented Training on Energy Saving and Consumption Reduction

The Company actively advocates the concept of environmental protection value, introduces the concept of environmental protection culture, carries out training on energy saving and consumption reduction, continuously strengthens the construction and cultivation of talents for energy management system and green factories, and vigorously promotes the project of improving the quality of employees.



## Water Resource Management

Head Group has always attached importance to the use of water resources, and actively promote the concept of water conservation, advocating green water lifestyle and workstyle. Based on the *Water Supply and Water Management System*, the Company strengthens the management of planned water use, increases the publicity of water conservation, and effectively achieves the water use plan in place, water conservation measures in place, and the implementation of the system in place.

### Water Conservation Project

#### Project Name

Optimization of water use in water circulation vacuum pumping system

#### Water-saving Method

Conservation of water

#### Water-saving Benefit

Savings of 45 tons/day of pure water

The Company responds positively to the national policy, in order to save water, strive to achieve wastewater reuse, and endeavour to improve the reuse rate of tap water, stipulating that no department shall arbitrarily put the return water into the drainage ditch.

### Water Conservation Measures

- ▶ Regularly inspect public water facilities to detect and deal with problems of running, bubbling, dripping and leaking in a timely manner, so as to significantly reduce the wastage of water resources.
- ▶ Focusing on improving the effectiveness of sewage treatment, continuously increasing the proportion of water reuse, and committing to realizing the recycling of water resources.
- ▶ Actively replacing water-saving equipment to drive down water consumption.
- ▶ Continuous optimization of the production process to reduce the amount of washing water used and further reduce the demand for water resources.

## Pollution Control

### Waste Water Management

In response to water pollution, the Company strictly abides by the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Regulation of Urban Drainage and Sewage Treatment* and other laws and regulations related to the prevention and control of water pollution, and has formulated the Rainwater and Sewage Diversion Management System and the Sewage Treatment Station Operating Procedures. We strengthen our wastewater and sewage management, build operating procedures for sewage station operation positions and equipment, and ensure that effluent water quality and gas quality meet established standards. At the same time, we adhere to the discharge standards to reduce our own environmental footprint.

Waste water generated in the production process of the Company is concentrated in the collection pool and then entered into the sewage station for treatment to achieve zero discharge of hazardous waste water. The treated clean water enters the clean water pool, and is discharged after testing and meeting the standard; the unqualified water continues to flow back to the adjustment pool to be re-treated until qualified, so as to realize the diversion of sewage and classification of waste water. The Company conducts regular monitoring of waste water, including ammonia nitrogen, suspended solids and other waste water indicators into the quarterly monitoring indicators, and commissioned testing organizations to regularly monitor the Company's sewage outlets to ensure that wastewater treatment is standardized, scientific and environmentally friendly.

山东赫尔希控股有限公司

实时数据 日报工作 查询分析 常用报表 系统管理

历史数据

实时 分钟 小时 日 月 年 开始时间: 2023-05-25 结束时间: 2024-03-07

排口类型: 废水 所属地区: 全部 企业名称: 山东赫尔希控股有限公司

排口名称: 厂区废水总排出口 监测项目: 化学需氧量, 氨氮, 总磷, 总氮

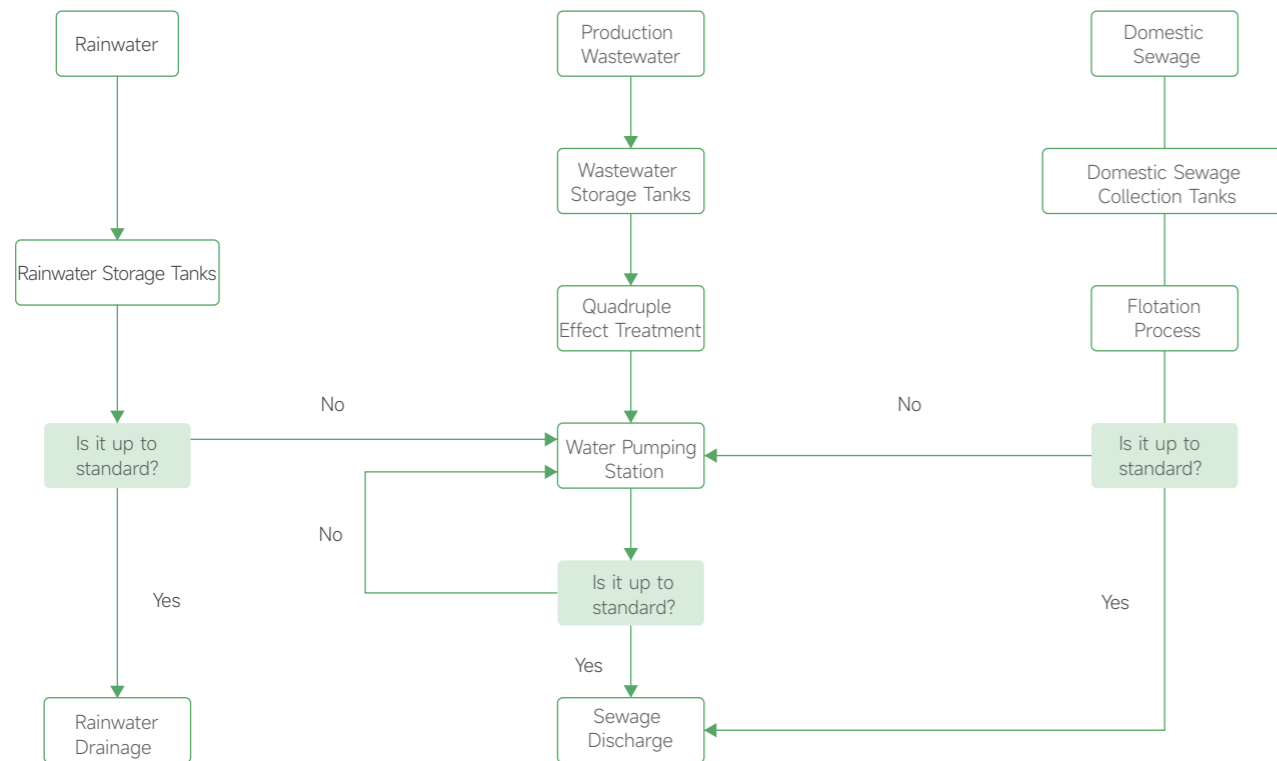
排放量统计(化学需氧量:15.1 t, PH:0 t, 氨氮:0.0109 t, 流量:53317 m3) 点击查看详情[最大, 最小和平均值]

序号	监测时间	化学需氧量(mg/L)			氨氮(mg/L)			总磷(mg/L)			总氮(mg/L)			pH			流量(t)
		浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	
1	2023-05-25	107	500	0.023	0.108	45	0.0000233	/	/	/	/	/	/	7.61	6.50-9.00	--	21
2	2023-05-26	104	500	0.0227	0.0956	45	0.0000208	/	/	/	/	/	/	7.59	6.50-9.00	--	21
3	2023-05-27	102	500	0.0225	0.105	45	0.0000231	/	/	/	/	/	/	7.57	6.50-9.00	--	22
4	2023-05-28	97.8	500	0.0236	0.112	45	0.000027	/	/	/	/	/	/	7.57	6.50-9.00	--	24
5	2023-05-29	94.4	500	0.0216	0.11	45	0.0000251	/	/	/	/	/	/	7.58	6.50-9.00	--	22
6	2023-05-30	90.4	500	0.0228	0.11	45	0.0000278	/	/	/	/	/	/	7.53	6.50-9.00	--	25
7	2023-05-31	86.2	500	0.0163	0.135	45	0.0000255	/	/	/	/	/	/	7.55	6.50-9.00	--	15
8	2023-06-01	76.7	500	0.0131	0.288	45	0.0000492	/	/	/	/	/	/	7.62	6.50-9.00	--	17
9	2023-06-02	60.1	500	0.00986	0.241	45	0.0000396	/	/	/	/	/	/	7.68	6.50-9.00	--	16
10	2023-06-03	52	500	0.00854	0.211	45	0.0000347	/	/	/	/	/	/	7.67	6.50-9.00	--	16

显示 1 到 100, 共 288 记录

Management of Online Monitoring of Waste Water and Waste Gas

In order to further standardize the management of waste water and strengthen environmental protection, the Company has made detailed provisions on the collection, storage and control of rainwater, sewage and accident water in the *Rainwater and Sewage Diversion Management System*. And the Environmental Protection Department is responsible for the supervision of rainwater and sewage discharges, regular supervision and inspection of rainwater and sewage pipe networks, timely monitoring according to the discharges, strengthening the process control, promptly notification and supervision of the rectification of unqualified items.



○ Rainwater, Sewage, and Production Waste Water Control Logic Diagrams



## Waste Gas Management

Head Group has formulated the *Air Pollution Prevention and Control System* in accordance with the *Air Pollution Prevention and Control Law of the People's Republic of China* and other laws and regulations, continuously upgraded and optimized the waste gas treatment equipment and processes, attached importance to the management of the whole production process and control of waste gas emissions to meet the standards, and continued to reduce the amount of pollutants emitted.

The Company's waste gas in the production process is mainly dust generated from crushing, drying, mixing and packaging process and non-condensable gas generated from condensation process. In order to implement the waste gas management, the Company actively builds the waste gas online monitoring management system, and develops self-monitoring programme and completes self-monitoring in accordance with the requirements of the emission permit, so as to achieve accurate pollution control, scientific pollution control and pollution control according to the law.

Applicable Gases	Exhaust Gas Treatment
▶ Low concentrations of organic waste gases and malodorous gases	Adsorption
▶ Water-soluble organic waste gases and malodorous gases (mainly H <sub>2</sub> S, NH <sub>3</sub> , etc. soluble in water)	Absorption
▶ Exhaust gases containing particulate matter	Electrostatic Purification
▶ Low-concentration organic waste gas and difficult-to-treat multi-component malodorous organic gas	Photocatalytic Oxidation
▶ Exhaust gases with high concentration and high boiling point, especially those with simple composition	Condensation
▶ All exhaust gases containing organic compounds, except halogenated gases	Thermal Combustion
▶ High temperature, medium and high concentration of organic waste gas, not suitable for halogen-containing, dust-containing, high humidity waste gas	Catalytic Combustion

Indicator	Unit	2021	2022	2023
Standard emission rate of exhaust gas	%	100	100	100
Standard discharge rate of wastewater	%	100	100	100

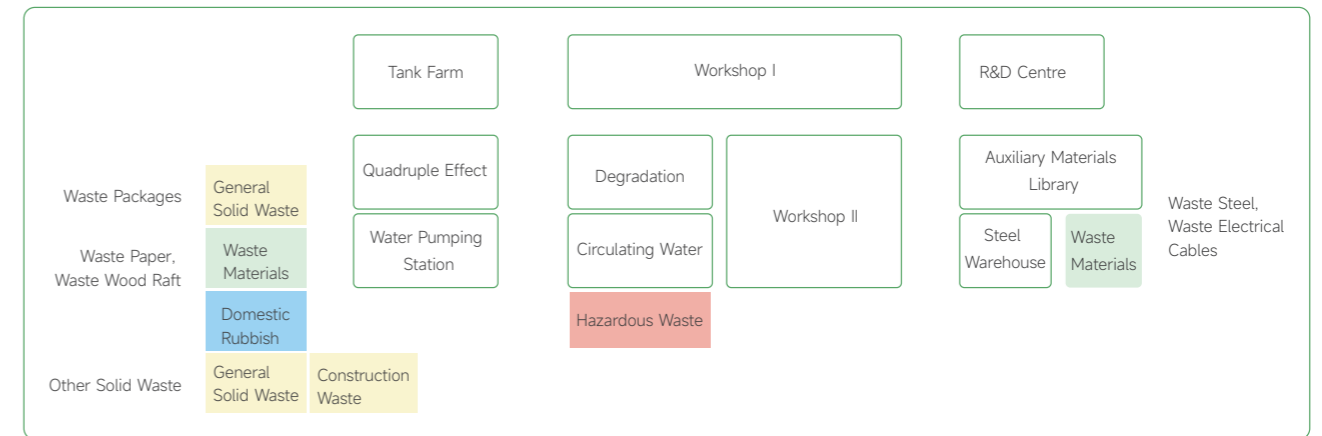
## General Waste Disposal

The Company complies with national and local environmental protection regulations, formulates *Solid Waste Management System*, controls the whole process of solid waste collection, storage and treatment, formulates management plan and contingency plan every year, and carries out unified supervision and management of pollution prevention and control of hazardous wastes. The Company has completed the declaration of Environmental Impact Assessment data for new, renovation and expansion projects, strictly implemented the "three simultaneous" system of environmental protection, and provided technical services for pollution prevention and control, adding a beautiful "Head" to the construction of China.



### Solid Waste Disposal Measures

- ▶ **Disposal of general industrial solid waste:** The disposal of industrial solid waste gives priority to the reuse of resources and the reduction of pollution to the environment; the disposal of waste packaging and other solid waste is the responsibility of the Department of Administration.
- ▶ **Disposal of domestic waste:** The Ministry of Administration is responsible for entrusting the disposal of domestic waste to the local sanitation department.
- ▶ **Disposal of construction waste:** Construction waste is given priority to be handed over to the construction unit for comprehensive utilization, and those that cannot be utilized are entrusted to qualified units for compliant disposal by the project department.



o Waste Storage Site

### Company Conducts Solid Waste Training

In order to enhance the staff's knowledge and ability to deal with waste, the Company actively carries out solid waste training activities. Through the case demonstration, the person in charge explained the classification, treatment, recycling and reuse of solid waste to the employees in detail, and emphasized that the solid waste management work needs to be operated in strict accordance with the Company's solid waste management system, to reduce the generation and discharge of solid waste and to improve the efficiency of resource utilization.



## Hazardous Waste Disposal

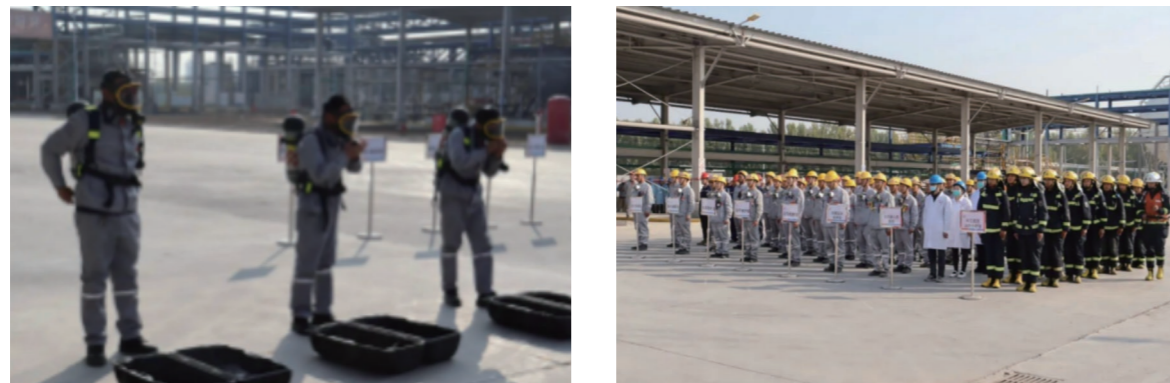
In order to implement the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes* and other relevant laws and regulations, Head Group has formulated the *Hazardous Waste Management System* and *Hazardous Waste Management Plan*, set up a hazardous waste management system, implement the post responsibility, and make clear the precautions for each link of hazardous wastes, such as generation, collection, storage, transfer, disposal, etc. Hazardous wastes involved in the Company's production are stored in the hazardous waste warehouse, which meets the requirements of GB18597-2023 standard, condensed waste liquid is incinerated and disposed of in the hazardous waste incineration system, and the rest of the hazardous wastes are entrusted to third-party qualified units for centralized disposal.

### Hazardous Waste Accident Prevention Measures

- ▶ Adopt non-toxic and harmless raw materials as far as possible, and strengthen the supervision and management of hazardous wastes in the process of storage and transport to prevent spillage.
- ▶ Do daily supervision and management of hazardous solid waste temporary storage sites, check seepage, leakage and anti-theft measures, and establish hazardous solid waste ledgers
- ▶ Preparation of hazardous waste emergency contingency plan, strengthen the plan exercise, improve the accident emergency rescue and disposal capacity
- ▶ Pay attention to the testing of neighboring groundwater quality and soil indicators, to prevent environmental pollution incidents
- ▶ Hazardous waste knowledge training, in-depth strengthening of the staff's ability to identify key hazardous wastes
- ▶ Labeling and segregation of hazardous wastes generated

### Gaoqing Plant hosted the comprehensive rescue drill for hazardous chemical accidents in Gaoqing County

In October 2023, Gaoqing County Hazardous Chemical Accident Rescue Comprehensive Exercise was successfully held in Gaoqing Plant. As the main contractor of this drill, Gaoqing Plant made a good demonstration for local chemical enterprise accident emergency rescue in many aspects, such as accident occurrence, emergency rescue, emergency evacuation, accident control, and rapid recovery, and gained high evaluation from various units.



In order to dispose of the biochemical sludge in a scientific and proper manner, the Company commissioned a third-party organization to identify the biochemical sludge obtained from the treatment of the new wastewater treatment system in accordance with the *Technical Specifications on Identification for Hazardous Waste* (HJ298-2019) and the series of *Identification Standards for Hazardous Waste General Rules* (GB5085.1-GB5085.7). Through on-site investigation, data collection, sample testing and analysis of the biochemical sludge generation process, it is confirmed that the biochemical sludge does not have the hazardous characteristics of toxic substances.

Indicator	Unit	2021	2022	2023
Hazardous waste compliant disposal rate	%	100	100	100

### Soil and Groundwater Contamination

To protect and improve the environment of the division, prevent and control soil pollution, and promote the construction of ecological civilization, the Company follows the *Soil Pollution Prevention and Control Law of the People's Republic of China* and the *Measures for the Management of Soil Environment in Industrial and Mining Land*, and formulates the Soil Pollution Hidden Trouble Screening System and the Soil and Groundwater Hidden Trouble Screening and Treatment System, and clarifies the responsibilities of all workshops, departments, and environmental protection management staffs in the work of soil pollution and environmental hidden trouble screening. By adopting the means of environmental accident hidden danger investigation, problems are discovered in time and treated and eliminated.

The Company regularly conducts soil hazard investigation and soil and groundwater monitoring, develops a monitoring programme, makes the results public, reports the monitoring data to Ministry of Ecology and Environment for the record, and establishes a hazard investigation ledgers while forming a rectification account. Those who do not fulfil their duties according to the system of soil hidden danger investigation, resulting in soil pollution, will be investigated for their legal responsibilities according to the law.

# Generating Exceptional Social Impact and Value

- R&D and Innovations
- Product Liability
- Digital Transformation
- Customer Rights and Interests Protection
- Suppliers Management
- Information Security

山东赫尔希胶囊有限公司  
SHAN DONG HEALSEE CAPSULE LTD

消防车道  
禁止占用

03

# R&D and Innovations

## R&D Management

Head Group has always regarded technological innovation as the source power of the continuous development of enterprises, comply with the *Patent Law of the People's Republic of China* and other relevant laws and regulations, and continue to improve the innovative R&D management and design and development process, strengthen the R&D investment and R&D personnel training, to improve R&D and innovation level, and constantly strengthen the core competitiveness of enterprises.

The Company has four provincial R&D platforms: Provincial cellulose ether technology research institute, Provincial Certified Enterprise's Technical Center, Small and Medium-sized Enterprises "One Enterprise One Technology" Research Centre and Provincial Engineering Laboratory. In order to guarantee the smooth progress of R&D work, the R&D Centre is equipped with instruments and testing means of international advanced level, and has complete production, environmental protection and experimental facilities, which enable the new technology and R&D results to be put into production quickly, and play a vital role in the development of the Company.

## R&D Incentive System

The R&D team represents a valuable asset to the Company's talent pool. By fostering and recruiting top-performing professionals, the Company is able to sustain the R&D capabilities and drive continuous innovation.

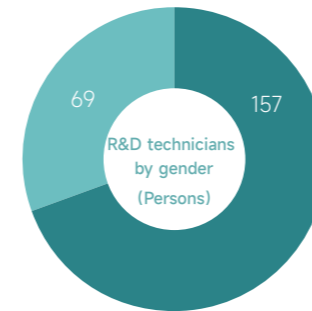
In order to stimulate the innovation spirit of employees, enhance the creation, application, protection and management of intellectual property rights of the Company, and then promote the technological progress and business development, the Company has formulated and implemented the *Intellectual Property Reward Policy*. This policy aims to motivate employees to innovate in their work, to be courageous in their challenges, and to contribute to the Company's wisdom and strength through the clear incentive mechanism. Furthermore, the Company has established the "Chairman's Special Award" to recognize teams or individuals who have made significant contributions during our major development stages. This award is intended to encourage technological innovation and stimulate the motivation of technical personnel.



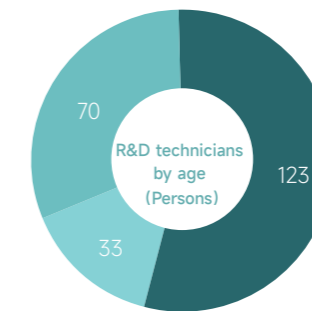
○ Presentation of "Chairman's Special Award"

## Composition of R&D Technical Staff

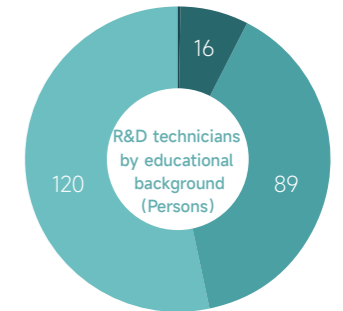
Total of **226** R&D technicians in 2023



● male  
● female



● Under 30 years old (not included)  
● 30-40 years old (including 30 years old and excluding 40 years old)  
● 40 years old and older



● PhD(1)  
● Master  
● Bachelor  
● Associate or below

## Outstanding R&D Results

During the reporting period, the Company focused on innovation and development, investing in research and development. This led to important research and development results..

### Pharmaceutical Grade Cellulose Ether

During the reporting period, the Company successfully developed new EH-type sustained and controlled-release products with enhanced performance through innovative research and development. These products feature the following features:

- (1) It can better control drug dissolution and release, and it is easier to obtain the same dissolution curve as that of the reference preparation;
- (2) Compared with conventional products, the produced extended-release tablets have better hardness for pressing, which is beneficial to the preservation and transportation of tablets;
- (3) During the tablet pressing process, it can reduce wear and tear on the tablet press, improving production efficiency.
- (4) The dissolution of Metformin Hydrochloride Sustained-release Tablets, can better simulate the state of gastric suspension tablets, reducing the occurrence of sticking walls.



In October 2023, the Company's R&D team successfully overcame the technological challenge of cellulose ether for special coating, delivering impressive coating application results through innovative formula design and a unique polymerisation process preparation.

1. The product has excellent solubility in organic solvents, which enables excellent mixing and processing characteristics in high-alcohol environment.

Its unique molecular structure design allows for precise control of the release rate and amount of the drug in vivo, ensuring that the drug is released in a specific manner in high-ionic-strength environment.

2. The unique molecular structure design enables precise control of the drug release rate and amount in vivo, ensuring the drug is released at the optimal rate in high ionic strength environments.

3. The high weight gain coating prescription application provides enhanced convenience in coating processing and robust dissolution behaviour in different media environments.

## Healsee Second-Generation Capsules

In November 2023, Healsee second-generation vegetable capsules were officially launched. As a new generation of upgraded products, Healsee second-generation vegetable capsules builds upon the success of the first-generation, offering the following features:

- 1) Breakthrough prescription and process without gel-forming agent; enabling better dissolution performance, consistent dissolution behaviour in different media, independent of pH and ionic strength, complying with the pharmacopoeia requirements of all major countries and regions;
- 2) For weakly alkaline contents, enhancing bioavailability and improving dosage form preferences;
- 3) Plant source, no animal source BSE risk;
- 4) Beautiful appearance and more abundant colour options. HPMC capsules without gel-forming agent offer superior dissolution performance compared to HPMC capsules with gel-forming agent.

Based on the above, HEALSEE second-generation vegetable capsules are suitable for use in the development of new drugs by pharmaceutical companies.



## R&D Awards

The Company has been awarded "High-tech Enterprise", "National Intellectual Property Capable Enterprises", "China Patent Shandong Star Enterprise", "China Science and Technology Innovation and Invention Achievement", "Shandong Province Enterprise Innovation Award", "Zibo Major Scientific and Technological Achievement", "Zibo Science and Technology Award", "Most Influential Brand in Ready-Mixed Mortar Industry", "Best R&D Team", "Outstanding Science and Technology Innovation Team" of Zhoucun District, etc. In 2021, the Company was awarded as "Little Giant" of Specialized and Innovative Enterprises, and has been continuously selected as one of the "Top 500 Chinese Petroleum & Chemical Enterprises" and "Zibo City Double 100 Enterprises", which demonstrates the strength of the Company's technological innovation.



○ Honor Certificates



## Intellectual Property Protection

Intellectual property rights protection is an important guarantee for promoting innovation and development. Head Group implements the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, the *Patent Law of People's Republic of China* and other laws and regulations, constantly improves the intellectual property management system and system construction to enhance the protection of intellectual property rights. While maintaining our own intellectual property rights, we also fully respect the intellectual property rights of others and actively promote fair competition to ensure that the rights and interests of all parties are fully protected and promoted. During the reporting period, the Company obtained the certification of the Intellectual Property Management System.



○ Certificate of Intellectual Property Management System



○ Part of the Invention Patent Certificates

### Key Performance

By the end of reporting period, the Company held **137** patents, of which **24** were for inventions and **113** were for utility models.

During the reporting period, the Company was granted **8** invention patents and **24** utility model patents.

## Product Liability

### Quality Management

Head Group strictly abides by the *Product Quality Law of the People's Republic of China* and other laws and regulations, based on ISO 9001, FSSC22000, EXCIPECT and other management system requirements, formulated the *Management Handbook*, procedural documents, the management system of each module, standards and operating procedures. These cover the requirements related to planning, implementation, monitoring, correction and improvement of the whole process including customer demand, design, production, inspection, sales and delivery. The Company continuously optimizes the quality management measures in the production process, standardizes the management of raw materials, process control and quality control of finished products shipment to ensure product quality.

### Quality Management Policy

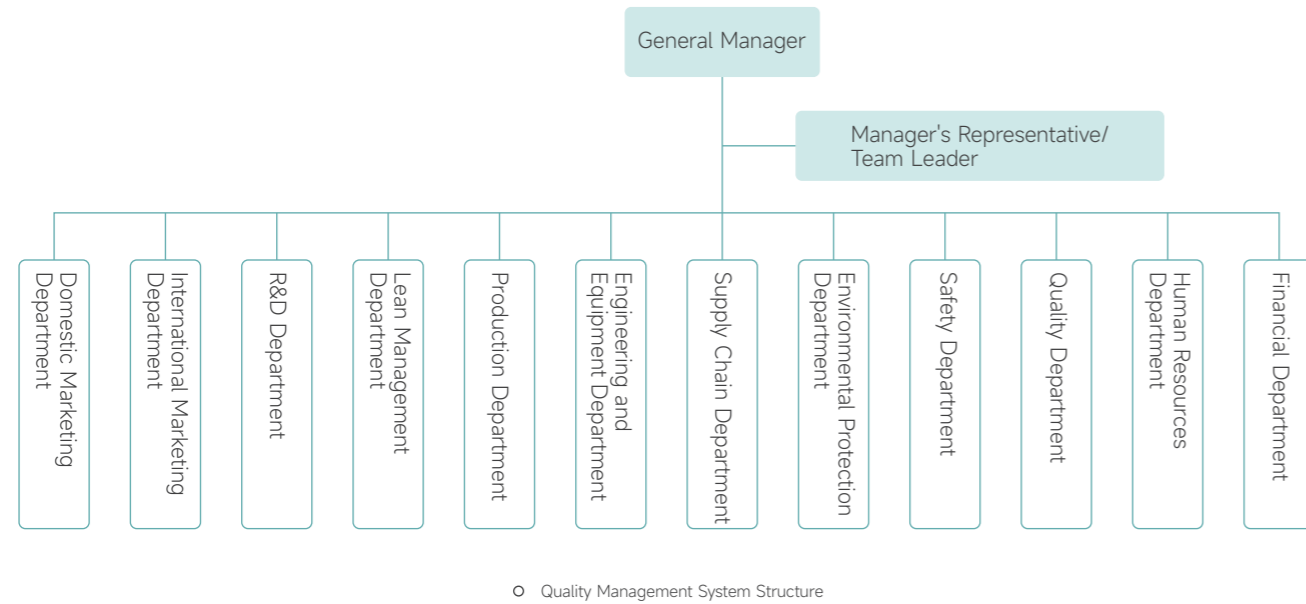
Adherence to Laws and Regulations to Ensure Product Safety

The Company is committed to providing high-quality and safe products and services, ensuring that pharmaceutical excipients comply with GMP standards throughout the process and meet drug regulations, and strictly selecting compliant and high-quality suppliers to ensure product quality and medical and food safety.

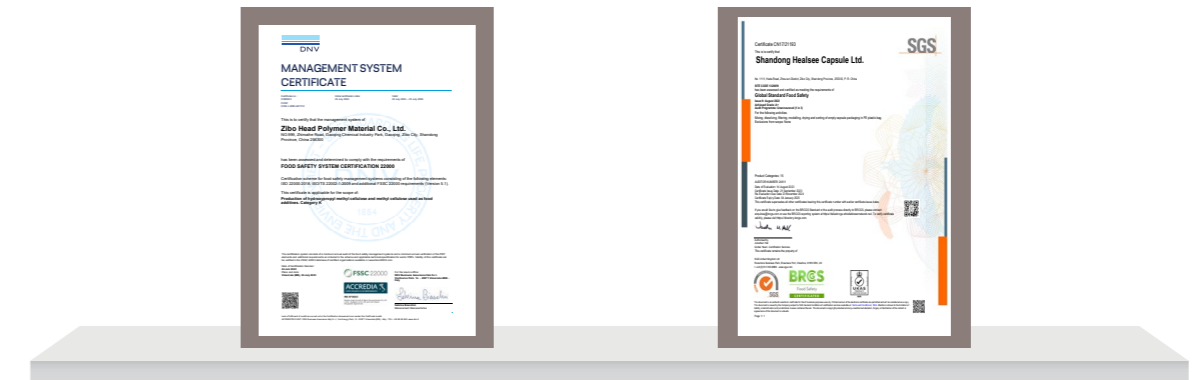
Continuous Quality Improvement Enhances Customer Satisfaction

The Company continuously maintains internal and external communication on quality matters and follows the quality requirements agreed with customers. All Head Group's units, departments and employees are required to ensure that products are compliant and meet customer needs. Management will provide resources and support to ensure employee compliance and continuous improvement of procedures and processes.

The Company has appointed the General Manager of each division as the chief quality manager, whose responsibility it is to clarify the responsibilities, authority and interrelationships of each department and position, to ensure smooth communication and thus promote the efficient operation of the food safety and quality management system.



By the end of the reporting period, the Company and subsidiaries have passed ISO 9001 quality management system certification, FSSC22000 food safety management system certification, BRCGS global standard food safety certification, EU REACH certification and US NSF certification.



○ FSSC22000 Food Safety Management System Certificate    ○ BRCGS Global Standard Food Safety Certificate



○ EU REACH Certificate

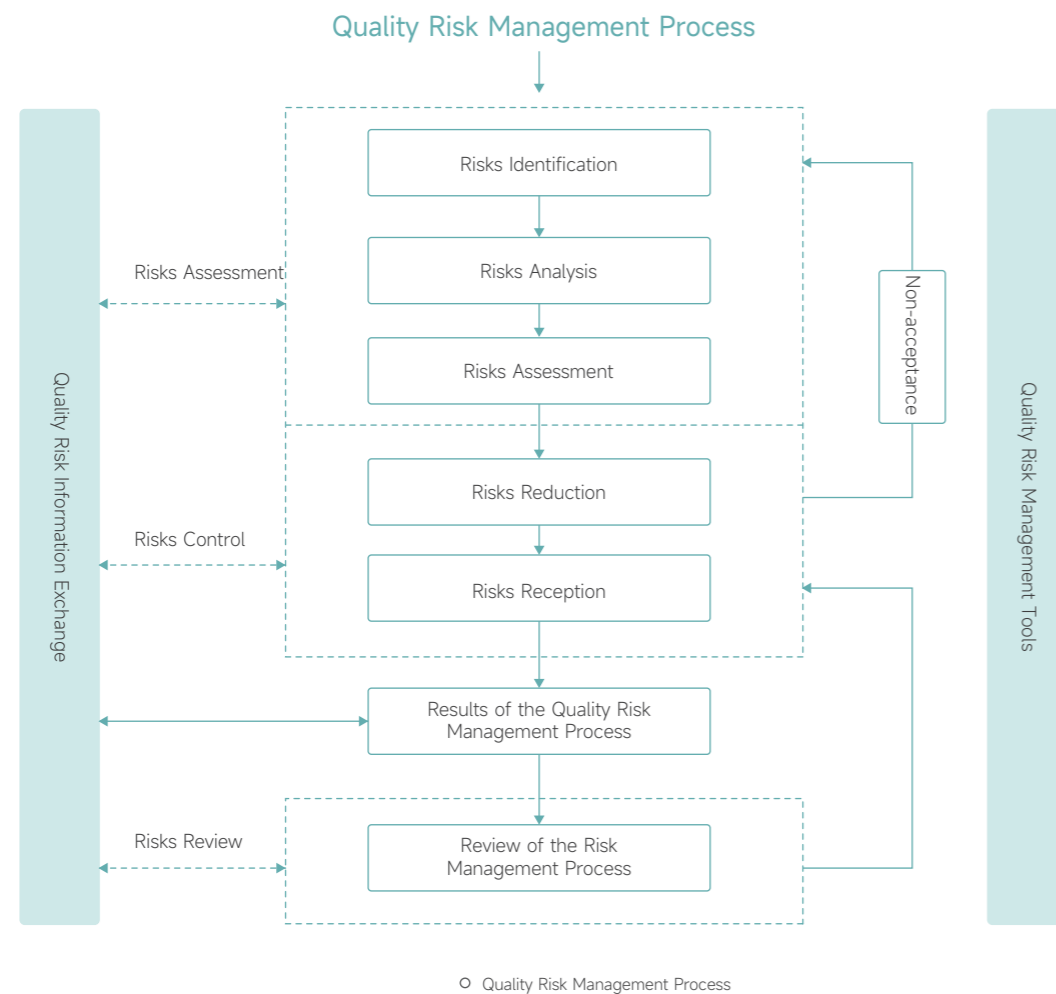


○ NSF Certificate

## Quality Risk Control

The Company adheres to the concept of "reducing quality risks and ensuring product safety and effectiveness by assessing and controlling risks in the production process, product quality risks and other potential quality risks", and has formulated internal systems such as *Quality Risk Management System*, the *Change Control Procedures*, the *Confirmation and Verification Management System*, and has established risk awareness among all staff to provide consumers with more reliable and high-quality products and services.

The Company's quality risk management which is based on scientific and technical aspects, compliance with laws and regulations, regular risk assessments of processes and products, and occasional assessments of new risks. The Risk Analysis Group uses information and experience to identify risks and assess their likelihood, severity and measurability. In addition, the Company ensures that the risk management process remains efficient through regular reviews and monitoring.



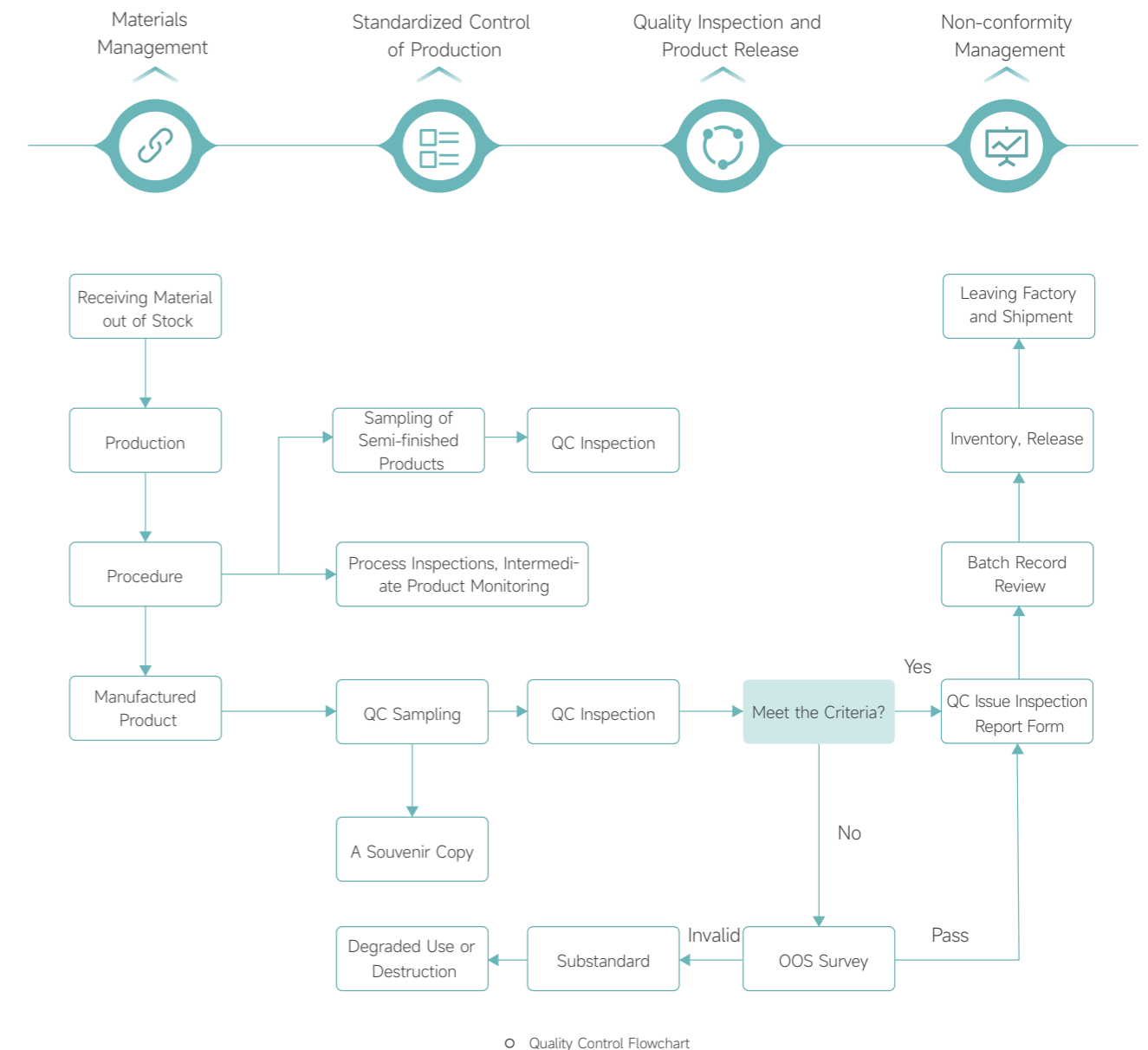
### Key Performance

During the reporting period, the Company conducted **31** risk assessments.

## Product Life Cycle Management

The Company attaches great importance to product quality control and regards product quality as the core element of the Company's competitiveness, requiring product quality to meet the stringent standards of developed countries around the world. With "advanced and stable hardware equipment is the **hardware guarantee** for high quality products; fully automated control system and perfect SOP provide **software guarantee** for reducing the quality difference between batches; the world's leading material suppliers provide **raw material guarantee** for stable quality; and the **quality inspection system** for raw and auxiliary materials, intermediary products, and strict testing of the products before shipment", the Company ensures that the products from the design to the service of each link are perfect, thus winning the market's wide recognition and the depth of trust of the consumers.

### Key Aspects of Product Quality Management



In the process of quality control, the Company adopts digital management, conducts quality inspection of the input raw materials and finished products, and records the inspection results in real time. At the same time, the product grade is automatically assessed, the qualified products can be stored, and the unqualified products are sent the special processing process.

Indicator	Unit	2021	2022	2023
Product Conformity Rate(Cellulose Ether Division)	%	99.97	99.98	99.98
Product Conformity Rate(Healsee Capsule Division)	%	100	100	100
Number of Annual Quality Internal Audits	Times	8	5	7
Number of Sampling Inspections by Third-party Agencies	Times	8	10	16
Negative Company Opinion	Times	0	0	0

## Product Recall Mechanism

For products that have left the factory, once there is a quality problem, the Company will immediately recall the product. To protect consumers' rights and interests, the Company has formulated the *Product Recall Management System* and the *Product Recall Control Procedures*. These documents clarify the recall management process and classify recalled products into Grade 1, Grade 2 and Grade 3 according to the severity of the problem. This ensures that quality problems are dealt with swiftly and efficiently.

### Key Performance

By the end of the reporting period, **NO** products have been withdrawn or recalled for health and safety reasons.

## Product Quality Training

In order to strengthen the construction of the Company's quality culture, the Company regularly conducts quality management knowledge and job skills training for managers at all levels and personnel related to product quality, so as to continuously enhance the quality awareness of employees, ensure that product quality always meets high standards, and thus promote the sustainable development and optimization of the Company's quality culture.

### 33rd Quality Month Activities

In September 2023, the Company organized a quality month activities with the theme of "Survive on quality, develop on quantity, product quality is the best sales". Various forms of characteristic quality improvement activities have been carried out. These activities strengthen the awareness of quality management, prevent and resolve quality risks, consolidate the foundation of quality management, and implement the spirit and awareness of quality month into the work of each employee.



Indicator	Unit	2021	2022	2023
Number of Persons Participated in Training on Quality Culture	Person-times	3,948	6,973	7,065
Total Duration of Training on Quality Culture	Hours	104.05	136.5	225
Number of Training on Quality Culture	Times	50	74	96

## Digital Transformation

Head Group started its informatization and digitization construction work in 2000, after 18 years. The Company's information system covers finance, market, supply chain, management, security, office and other fields. With the expansion of the company's scale and business development, the process of informatization and industrialization has accelerated. During the reporting period, the Company passed the evaluation and certification of the two integrated management systems.



Integration Informationization and Industrialization Management System Certificate

## Digital Management of Whole Process Information

- ▶ **OA System:** The OA office system is specifically designed for employees in need, enabling online workflow application and approval based on job responsibilities to enhance work efficiency. In late September 2021, the cloud space was officially launched, gradually replacing the use of OA in approvals, making office operations more convenient and efficient.
- ▶ **NC-ERP System:** At the management level, the Company has built NC system, which is an integrated enterprise management software integrating material resource management (logistics), financial resource management (financial flow) and information resource management (information flow). It optimizes internal business processes and management processes to automate major operations. It also added a fund management module, strengthened financial control and data sharing functions, and improved the efficiency of supply and marketing order receipt and payment, internal reimbursement and banking management.
- ▶ **WMS System:** In terms of warehousing, the Company has established a WMS warehouse management system, which integrates in and out of storage, allocation, batch, material, quality management and other functions in one management system, effectively control and track the logistics and cost management of warehouse business, and realize efficient enterprise warehousing information management.
- ▶ **Intelligent Energy Saving - Energy Consumption Online Monitoring System:** In terms of energy management, the Company adopts Intelligent Energy Saving - Energy Consumption Online Monitoring System. According to the characteristics of chemical production, the Company uses information technology, network technology and automatic control technology to comprehensively monitor and manage the energy system, realize data monitoring, collection, storage, management and utilization to optimize the management process. At the same time, we also establish an energy consumption evaluation system, reduce management costs, achieve efficient, agile, energy management and control integration, and quickly and effectively achieve energy conservation and emission reduction targets.
- ▶ **CRM System:** CRM system is a systematic management and maintenance of enterprise customers. In the original material storage, sales out of storage business process, through the integrated use of computer and mobile phone, to achieve the systematic customer management. Sales orders are output by CRM system, integrated with ERP and WMS data. CRM also provides after-sales service to maintain customer relations after completion of warehousing.
- ▶ **Analytical Cloud System:** The Analytical Cloud System is a unified operational data presentation platform based on full data analysis. It can automatically extract and convert NC and CRM data, supporting custom deployment. Rapid analysis of multi-dimensional data is realized through dynamic sorting and filtering functions. At the same time, through the friend space single landing, multi-end display, 9 kinds of chart form linkage display, multi-level penetration drilling data, which can provide important assistance for high-level decision-making as well as give full play to the value of data.



○ Three-dimensional Storage System



○ Intelligent Energy Saving - Energy Consumption Online Monitoring System

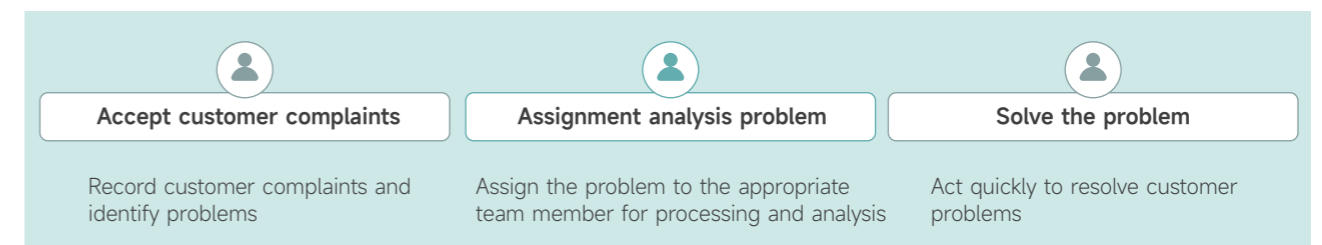
# Customer Rights and Interests Protection

## Customer Service Management

Head Group adheres to the concept of taking the needs of customers as our own responsibility, strictly abides by the Law of the Peoples Republic of China on the Protection of Consumer Rights and Interests and other relevant laws and regulations, and provides customers with professional and efficient products and services. The Company has set up a "Head Iron Triangle" composed of sales personnel, technical service managers and customer service specialists, committed to providing customers with a full range of management from product consulting, technical support to after-sales service.



The Company attaches great importance to customer experience and understands that a quality after-sales service process is essential to enhance customer satisfaction. Therefore, we pay special attention to the guidance and optimization of after-sales service process to ensure that every customer can get timely and professional service support.



○ After-sales Service Process Guidance

The Company always upholds the concept of customer first, and goes all out to meet the diversified needs of customers. The Company responds quickly and effectively to customer problems, providing professional advice and solutions. In the interaction with customers, we always keep friendly and patient, pay attention to the emotional needs of customers, and truly provide customers with real satisfaction.



○ Customer Service Key Elements

## Responding to Customer Complaints

In order to respond to and handle customer complaints efficiently and professionally, the Company has developed internal systems such as *Customer Complaint Management System* and *Customer Complaint Control Procedure*. Through the establishment of perfect customer quality complaint management standards, to ensure that the complaint handling is standardized and procedural, and strive to make every customer can get satisfactory processing results.

### Key Performance

During the reporting period, all complaints received by the Company were handled in a timely manner, and the complaint resolution rate was **100%**.

## Customer Satisfaction Surveys

In order to continuously improve customer satisfaction, the Company has formulated the *Measurement and Control Procedure of Customer Satisfaction*, and conducted surveys annually by means of questionnaires from the aspects of product appearance satisfaction, conformity of physical and chemical indicators of products, product performance, product packaging and transportation, product delivery accuracy, and delivery timeliness. And the sales department is responsible for compiling the *Customer Satisfaction Survey Analysis Report*. In response to customer feedback and suggestions in the report, the Company carefully studied and actively improved to provide customers with a better experience.



Indicator	Unit	Domestic	Overseas
Number of copies of customer satisfaction questionnaires distributed	Pieces	137	100
Number of customer satisfaction questionnaires returned	Pieces	128	74
Customer satisfaction	%	94	93
Number of customer information leakage events	Cases	0	0
Loss caused by violation of relevant laws and regulations	CNY10,000	0	0

## Customer Service Training

In order to further improve the comprehensive quality of service personnel and improve the overall service level of the team, the Company always regards customer service training as a crucial work. The Company organizes all kinds of customer service training from time to time, so that employees can master more advanced service concepts and skills, and provide customers with better service.

### Customer Service Training

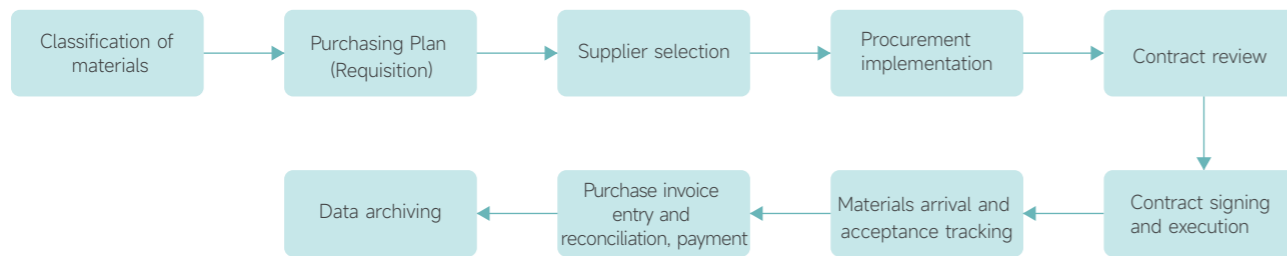
In August 2023, the Company organized and carried out the customer service training of "Answer in an Appropriate Way - steps of high Emotional intelligence to deal with customer complaints", aiming to improve the communication ability and emotional intelligence level of employees when responding to customer complaints. Through in-depth analysis of the key steps to deal with customer complaints, combined with actual case analysis, the training helps employees master high emotional intelligence coping skills, and solve customer problems in a more professional and humane way.



# Suppliers Management

## Suppliers Management System

The Company strictly abides by the *Bidding Law of the People's Republic of China* and Regulation on the Implementation of the Bidding Law of the People's Republic of China, and has formulated internal systems such as the *Procurement Control Procedure*, the *Operating Procedures for Supplier Selection* and the *Management Procedures for Supplier diversification* to standardize the process management of supplier access and assessment, so as to continuously improve the supplier management system, which can improve the quality of suppliers and escort the long-term development of both supply and demand.



○ Procurement Procedure

## Supplier Selection and Assessment

When selecting suppliers, the Company follows the relevant requirements of the *Supplier Management System* to complete the development, evaluation and selection of suppliers. The purchasing department will take into account product classification, standards, supplier capabilities and social responsibility performance. In the case of the same quality, priority is given to suppliers with sustainable certification, quality management system certification, environmental management system certification and occupational health and safety management system certification.

The Company evaluates the supplier's social responsibility performance, including but not limited to the supplier's efforts and achievements in labor human rights, gender equality, non-discrimination and other aspects. At the same time, the Company based on quality, delivery, price, service four aspects of the annual raw materials supplier performance rating table, in order to comprehensively measure the comprehensive performance of suppliers.



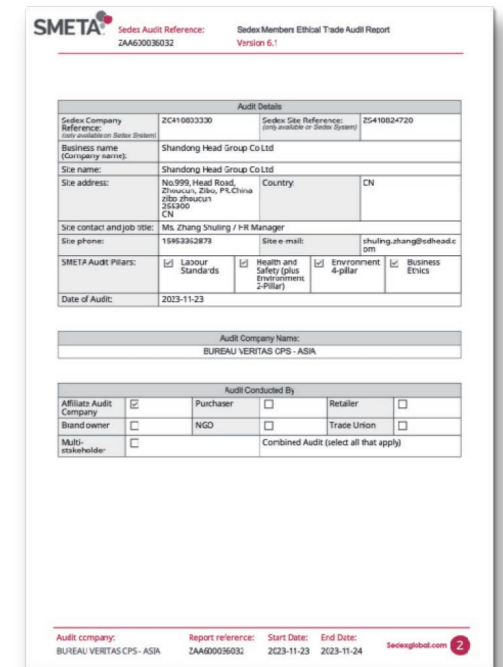
# Supplier ESG Management

## Supplier ESG Risk Management

Head Group integrates ESG into all aspects of supplier management in order to reduce the social and environmental risks of the entire industrial chain and achieve sustainable development. All three of the Company's plants passed SMETA audits during the reporting period, which is not only an important achievement of the Company's own ethical trading and sustainable development, but also an important step in actively leading the upstream and downstream enterprises in the supply chain to practice ESG concepts.

By compiling the Corporate Social Responsibility Risk Analysis and Assessment Form, the Company systematically evaluates suppliers' performance in environmental, social and governance aspects quantitatively, and divides three risk levels A, B and C according to the evaluation results, which helps the Company to identify and manage supplier risks more accurately.

The Company attaches great importance to the sustainability and ethical responsibility of the supply chain, signs the *Supplier Code of Conduct* with its suppliers, and gives priority to choosing enterprises that are socially and environmentally friendly, respect labor human rights, abide by business ethics, and practice sustainable procurement, so as to jointly build a just, green and sustainable business ecology.



○ SMETA Certificate

## Key Performance

During the reporting period, the signing rate between the Company and the supplier Code of conduct was **100%**.

## Supplier ESG Training

Mutual assistance with suppliers is the premise of maintaining a high-quality, healthy and long-term supply chain. We continue to maintain close communication with suppliers, establish a good communication mechanism, organize and carry out supplier ESG training regularly, helping suppliers to improve ESG management.

**Sustainable Development - Corporate Social Responsibility Sharing Course**

During the reporting period, the Company organized supplier CSR training courses. The course covers the concept of corporate social responsibility and how to achieve sustainable development in the supply chain. The training not only deepens the suppliers' understanding of social responsibility, but also promotes the cooperation between the two sides to develop in a more green and sustainable direction.



## Responsible Procurement

### Clean Procurement

The Company adheres to the implementation of a fair, transparent and green procurement system, and is committed to establishing a transparent, good and fair cooperation relationship with suppliers, abiding by the principles of fair and open trade, establishing a corruption complaint channel and mutual supervision to achieve transparency in procurement relations. We require every procurement related personnel, must adhere to the principle of integrity and self-discipline, do not collect kickbacks, do not participate in procurement corruption activities, to ensure that procurement activities are open, fair and just.

### Green Procurement

The Company has always adhered to the concept of environmental protection, and in the selection of suppliers, priority is given to choosing suppliers with minimal environmental impact in the production process, and jointly promote green production and sustainable development.

The Company adheres to the sustainable procurement policy and conducts sustainable procurement training from time to time, aiming to improve employees' understanding of the concept of sustainable procurement and cultivate their operational ability in practical work. In order to ensure the effectiveness of the training, the Company also organized a sustainable procurement training exam, through the form of exam papers to test the learning results of employees, and provide targeted feedback and guidance.

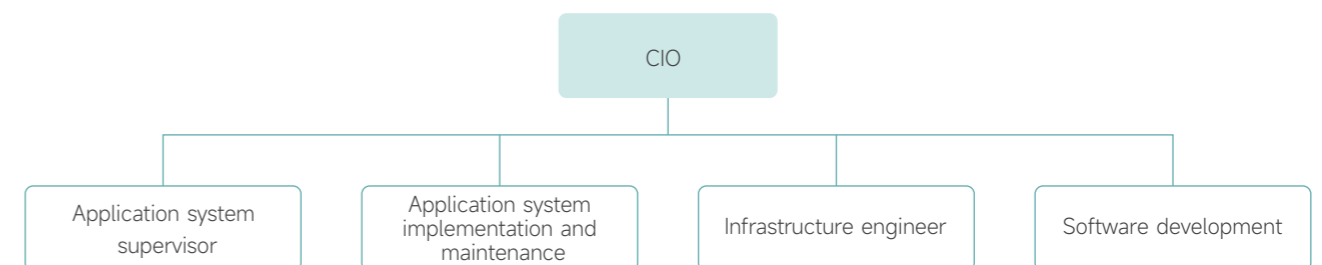
# Information Security

## Information Security Management System

The Company strictly follows *Cybersecurity Law of the People's Republic of China*, *Data Security Law of the People's Republic of China* and other relevant laws and regulations, and has formulated the *Information Security Management System* and other internal management systems to comprehensively control the Company's internal information security from the two dimensions of personnel management and information system security maintenance and management. Through the organic combination of password use security, computer room and weak current security, terminal security, hierarchical data management, network security, business system security, disaster recovery and backup, anti-virus measures and emergency plans and other modules, we establish a comprehensive and efficient response information security management system, and constantly improve the standardization level of information security management of the Company.

During the reporting period, the Company had no information security and privacy protection violations.

Information Security Work Policy	Targets
Compliance with Industry Regulations	The hardware and software of the information network and the data in the system are protected
Risk Management	Not to be damaged, altered, or disclosed for accidental or malicious reasons
Ensure Information Security	The system runs continuously and reliably
Achieve Continuous Improvement	The information service is not interrupted



○ IT Organizational Structure



## Information Security Initiatives

### Information Security Risk Assessment

In order to comprehensively strengthen information security management, the Company regularly carries out risk identification work in the two major areas of system and data, comprehensively sorts out various types of security risks currently existing, puts forward specific prevention and response measures for each risk, and summarizes them into the *Information Security Risk Assessment Form*, to strengthen the information security defense line, and ensure that the information security management work can be sustained and effective.

### Hierarchical Data Management

In order to further enhance the Company's data security, reduce the risk of data being illegally generated, changed, leaked, lost and destroyed, and improve the efficiency of data flow and support business requirements, the Company has implemented a data hierarchical management system, dividing the data security level from low to high into L1-L4 four levels, so as to achieve refined data management.

#### Data Security Level

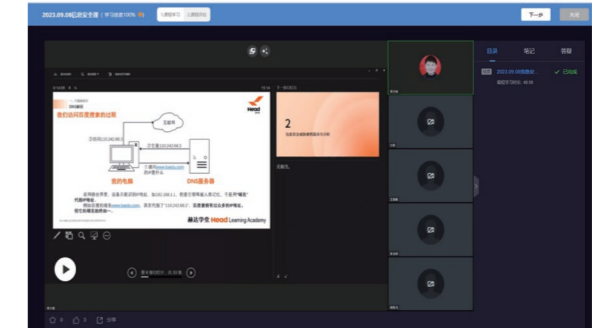
L1	External public data, such as enterprise publicity documents, public documents, public bidding information, etc.;
L2	Internal public data, such as various corporate systems, internal training documents, various internal notices, etc.;
L3	Internal business data of the Company's general departments, and data disclosed to third-party companies involved, such as ERP system data, administrative management information, personnel management information, etc.;
L4	Data leaked in special departments of the Company having a great impact on the Company, such as financial, audit, production, research and development data.

## Information Security Training

The Company attaches great importance to the cultivation of employees' security awareness. In order to enhance employees' awareness of information and privacy protection and security at work, the Company regularly organizes information security training to build the first line of defense for information security protection. At the same time, we will also strengthen the management of monthly information security protection records and computer inspection logs to ensure that the Company's various security measures are effectively implemented and supervised.

### Information Security Basic Training

During the reporting period, the Company actively organized and carried out information security training through the combination of online and offline, including: what is information transmission and information security, information security threat case display and analysis, and information threat protection summary. Through the training, employees not only have a deep understanding of the core value of information security, but also have mastered effective methods to identify and respond to potential threats, providing a solid guarantee for the Company's data security.



Indicator	Unit	2021	2022	2023
Number of information security training conducted	Times	2	2	3
Number of training participants	Persons	1,120	1,486	1,559
Training staff coverage	%	70	87	97
Total investment in data security	CNY10,000	25	17	20

# Inspiring Talents and Career Development

- Employee Relationship Management
- Training and Development
- Occupational Health and Safety



04

# Employee Relationship Management

## Employee Recruitment and Employment

Head Group adheres to the fundamental principles of "Voluntarily, Equally, Fairly", and strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Civil Code of the People's Republic of China*, and other relevant laws, as well as international treaties on the legal employment of labor to which the Chinese government has agreed to conclude and join, and formulates the Employee Handbook, the *Employee Entry, Transfer, and Separation Management System*, and other rules and regulations, which clearly defines the responsibilities and obligations of the employees.

During the recruitment process, the Company is firmly opposed to the employment of child labor and strictly adheres to the age limit to ensure that no employees are under the legal working age. Furthermore, we will never engage in unequal employment practices due to race, ethnicity, nationality, gender, religion, or other factors, to ensure that all employees are treated fairly and equally.

The Company knows that talent is a core driving force for the development of the enterprise, and regards the talent introduction as the source of the enterprise's unceasing growth. We actively expand recruitment channels, through social recruitment, campus recruitment and other methods, proactively attract and cultivate various types of outstanding talent, for them to build a growth platform filled with challenges and opportunities, with unlimited space for development.



○ Honorary Title "Shandong Province Labor Relations Harmonious Enterprise"

### Key Performance

During the reporting period, the labor contract signing rate was **100%**.



## Inclusion and Diversity

Head Group respects and values the diversity of employees, regardless of their background, experience, or characteristics, including race, gender, sexual orientation, age, disability, and cultural background. All employees are entitled to equal opportunity and treatment without discrimination or prejudice, ensuring every employee feels accepted and valued.

The Company firmly opposes any form of forced labor. We adhere to the principle of willingness and respect the individual will and choice of employees, whether in the process of recruitment, employment, or management. We do not force or threaten employees in any way to engage in work they do not want to engage in, nor do we force employees to work by restricting their personal freedom, withholding their documents, or collecting deposits.

The Company is dedicated to eliminating discrimination and inequality and providing employees a friendly, safe, and fair working environment. Any form of discrimination or harassment, including but not limited to threats, violence, bullying, and other abusive behavior, will not be tolerated. Employees are expected to be respectful and courteous in their words and actions, and any insulting, discriminatory, or harassing is strictly prohibited. Additionally, rumor mongering, dissemination of defamatory or discriminatory statements and information are also prohibited.

### Key Performance

During the reporting period, **0** incidents of labor discrimination occurred within the Company.

### Employee Composition

Indicator		Unit	2021	2022	2023
Total number of employees		Persons	1,449	1,693	1,599
Number of employees with disabilities		Persons	1	2	2
Number of minority employees		Persons	6	6	5
Number of employees by gender	Male	Persons	997	1,183	1,117
	Female	Persons	452	510	482
Number of employees by grade	Senior management	Persons	8	8	5
	Mid-level management	Persons	103	100	106
	Primary employee	Persons	1,338	1,585	1,488
Number of employees by age	Under 30 years old (not included)	Persons	352	380	352
	30-40 years old (including 30 years old and excluding 40 years old)	Persons	505	625	597
	40-50 years old (including 40 years old, excluding 50 years old)	Persons	414	458	429
	50 years old and older	Persons	178	230	221
Number of employees by degree	Doctor degree	Persons	0	1	1
	Master degree	Persons	18	28	35
	Bachelor degree	Persons	222	256	267
	Associate degree	Persons	411	520	500
	Below associate degree	Persons	798	888	796
Number of employees by profession	Produce	Persons	1,051	1,205	1,145
	Sales	Persons	60	79	80
	R&D Technician	Persons	193	233	226
	Finance	Persons	23	23	19
	Others	Persons	122	153	129

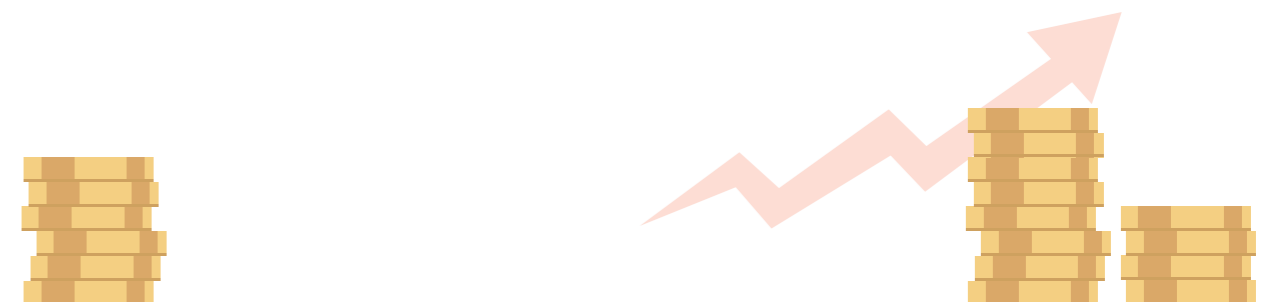
### Employee Movement

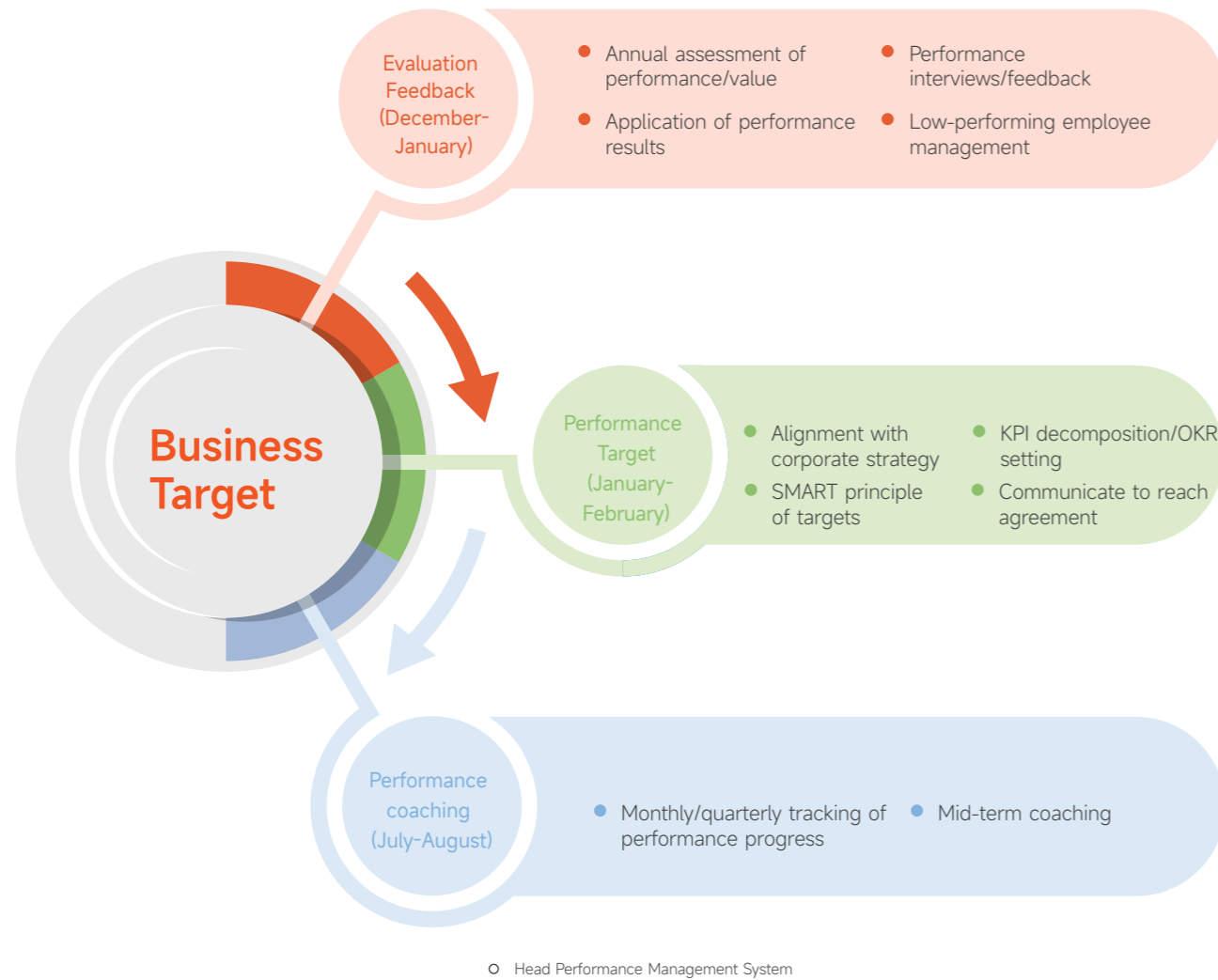
Indicator		Unit	2021	2022	2023
Employee turnover rate		%	19	12.3	10.7
Turnover rate by gender	Male	%	20.2	13.6	11.3
	Female	%	16.2	8.9	9
Turnover rate by age	Under 30 years old (not included)	%	25.4	17.4	12.4
	30-40 years old (including 30 years old and excluding 40 years old)	%	22.7	13.4	11.5
	40-50 years old (including 40 years old, excluding 50 years old)	%	9.8	7.7	9.6
	50 years old and older	%	9	4.5	6.8

## Compensation and Benefits Management

With the double goals of maintaining steady development of the enterprise and stable life of the employees, Head Group is committed to providing competitive salaries for the employees. We pay our employees based on job value, competence and performance, emphasizing that contribution and performance determines revenue levels; we strictly implement the regulations of the *Employee Handbook* on compensation and performance management, and make it clear that male and female employees receive the same pay for the same work, so that they can enjoy the same benefits to ensure the fairness of the compensation and the transparency of the compensation system. Employee compensation structure covers basic salary, performance pay, bonuses and various allowances, etc., to meet the life and work needs of employees comprehensively, and further enhance the sense of belonging and job satisfaction of employees.

The Company has always adhered to the principles of fairness, impartiality, and paying according to value and contribution, as well as the assessment method of KPI+OKR of the all employees performance management system to ensure the successful achievement of corporate strategies and goals. The results of all employees performance evaluation are an important reference for talent inventory, salary adjustment, promotion and development, optimization and adjustment, as well as honor and merit assessment. Additionally, the Company has implemented a performance feedback and complaint mechanism, which is clearly outlined in the *Human Performance Management System*. Should an employee have objections to the appraisal results, a written complaint can be submitted to the Human Resources Department. The Human Resources Department will investigate and respond within 10 workdays.





## Employee Benefits

The Company values the hard working and dedication of each employee and has introduced a series of benefits to add more color and beauty to their lives. To ensure the effective protection of employee welfare and deepen the sense of belonging and identity of employees, we have formulated the *Welfare Management System*. In addition, the *Employee Handbook* contains detailed and clear provisions on attendance and vacation, employee welfare, and other related content.



### Statutory Benefits

Social Insurance, housing fund, statutory holidays, statutory vacation.

### Company Benefits

Seniority allowance, holiday benefits, mid- and night-shift allowance, duty allowance, high-temperature allowance, birthday benefits, wedding gift, condolence money, full-attendance bonus, children's education grants, rental subsidies, and group-building fund.

### Stock Ownership Incentive

A total of 133 executives and core technical personnel were covered by the incentive plan. By the end of the reporting period, the Company had not yet implemented any incentive plans, with a total of 4,855,000 shares of restricted stock granted, all of which were Class I restricted stock.

### Female Employees Caring

Female employees are legally entitled to maternity leave, breastfeeding leave, and other statutory leaves. The Company has established a representative committee of female employees, signed the *Special Collective Contract for the Protection of the Rights and Interests of Female Workers*, established the *Labor Safety, Health and Hygiene System for Female Workers*, and regularly carries out caring activities for female employees and training on female health knowledge.

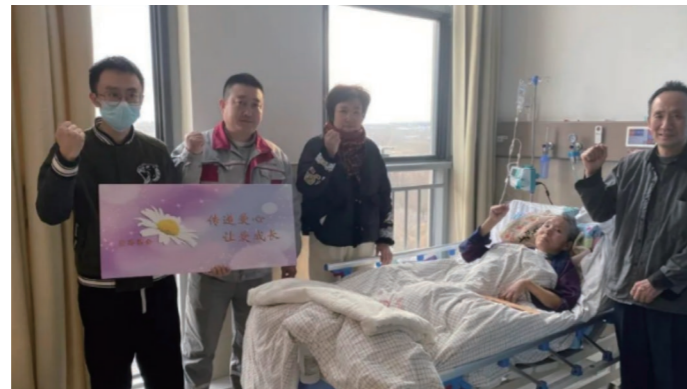
### Mental Health Protecting

To support the mental health of employees and their relatives, the Company has implemented a psychological assistance program and launch a psychological hotline offering 24-hour assistance. The Company regularly organizes mental health training at least once a year to enable employees and their relatives understand the knowledge of mental health and improve their psychological quality.



Helping Employees in Need

Mr. Jack BEE, Chairman of Head Group, personally contributed **CNY10 million** to set up the "Aiju Fund", which is used to provide assistance to employees. During the reporting period, the fund provided assistance to **10** employees in difficulty, amounting to **CNY110,000** in total.



HeadLabor Union and the resident labor unions at the Group's headquarters organized the warmth delivery activities for workers in difficulty. During the reporting period, a total of **4** workers in difficulty were given assistance, including **2** for major illnesses.



○ Mid-Autumn Festival Mooncake DIY



○ Workers' Basketball Match

Grants Distribution Ceremony for University Students

In August 2023, the Company held the 2023 Grants Distribution Ceremony for university students. We actively encourages employees to improve their degrees and skills, advocates employees to strengthen their children's moral and talent education, conveying the Company's deep concern and best wishes to employees and their children.



Key Performance

During the reporting period

the social insurance coverage rate was

**100 %**

the rate of returning to work from maternity leave was

**100 %**

the welfare expenditure was

CNY **4.55** millions.

The proportion of female managers was

**21 %**

The number of employees on maternity leave was

**28**

## Democratic Management

In order to further protect the legitimate rights and interests of employees, and to strengthen communication and interaction between employees and the Company, we have established the Employees Congress and fully supports the work of labor union. The Company always insists on democratic decision-making on important matters affecting employees, and fully listens to the suggestions and opinions of the Employees Congress and all employees. In the decision-making process, we focus on employee participation to ensure that everyone has the opportunity to express their opinions.

The Company has established a Labor Dispute Mediation Committee to encourage employees to resolve conflicts between the two sides in accordance with the law and to protect the legitimate rights and interests of employees and the Company. If employees consider that the Company has violated their legitimate interests, they can report the matter to the Human Resources Department and other relevant departments, insist on equal consultation, and seek solutions reflecting the interests of both parties. At the same time, the Company has also established diversified communication channels to ensure that employees' demands can be responded to promptly.

### Diverse Communication Channels

Chairman/President's Luncheon	The chairman/president communicates face to face with the high potentials and backbone talents of the group, and openly shares the difficulties and problems encountered in their work.
Rationalized Suggestion	Employees can put forward rationalization suggestions to the company on work promotion, innovation and improvement at any time, and the adopted rationalization suggestions/proposals will be rewarded accordingly.
Departmental Meeting	Through departmental meetings, company dynamics and information are communicated to employees timely, and employees can also share their opinions and suggestions at the meeting.
Special Communication Meeting	Conduct employee special communication meetings as needed to communicate with employees on special matters promptly.
Annual/Employee General Meeting	Convene annual/employee general meetings each year to communicate the Company's strategy and development plan to employees.

Human Resources Reception Day	Aims to help employees issue relevant certificates, answer relevant HR policies, listen to employees' opinions to improve employees' experience.
Head's Open Day	Organize open days as needed and invite employees' relatives to visit the Company in order to enhance the cohesion and influence of Head Group.

### Key Performance

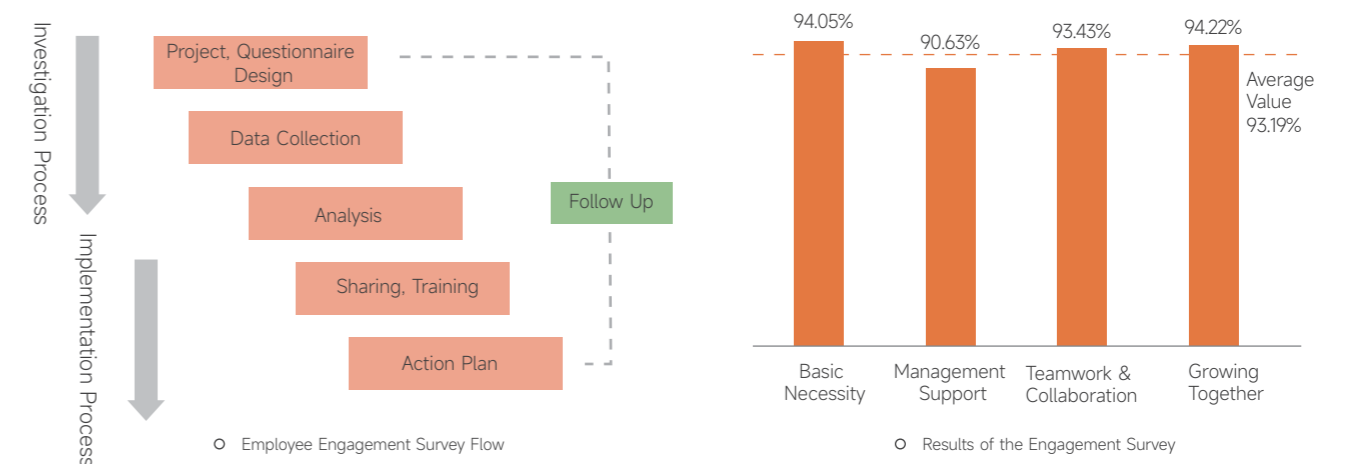
During the reporting period,

**3** proposals were considered and approved by the Employees Congress,

the ratio of labor union members to active employees was **100%**

## Employee Engagement

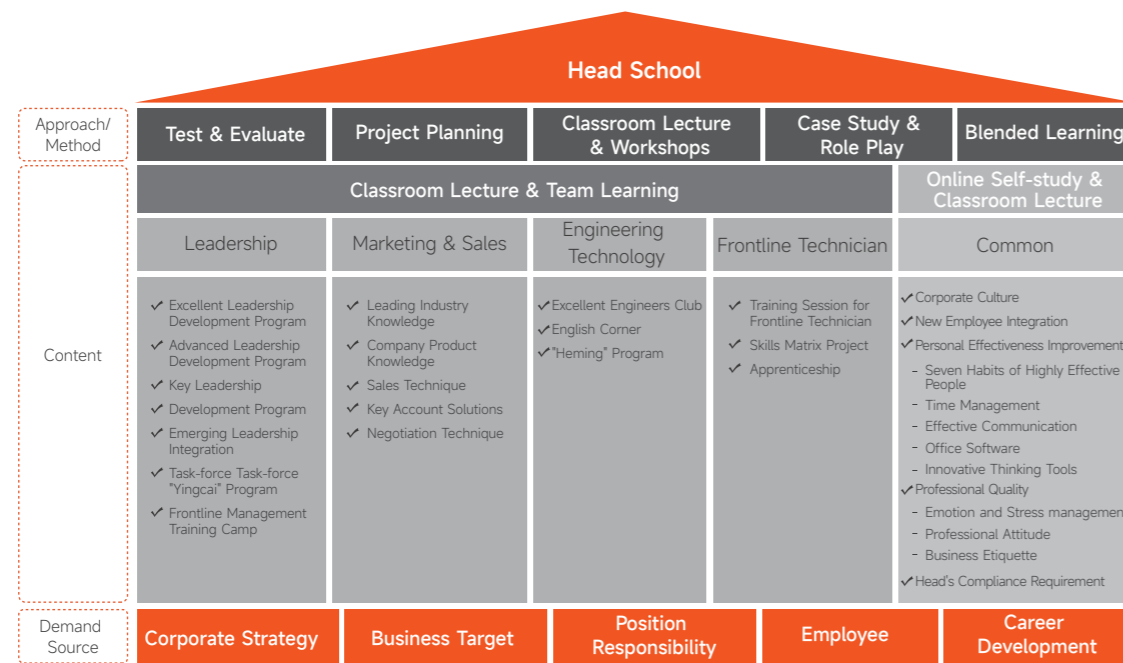
In order to better understand the needs of employees and further promote the construction of corporate culture, the Company conducted an employee engagement survey during the reporting period. The number of participants in the survey was **1,580**, with **1,556** valid questionnaires, the employee participation rate was **98.6%**, and the employee engagement degree was **93.1%**. These data not only demonstrate the high level of employee recognition and loyalty to the Company, but also reflect an effective response to management's efforts to support and motivate employees.



# Training and Development

## Career Training System

With the core objective of creating talent advantages, the Company actively cultivates talents with an innovative spirit, formulates the *Training Management System*, continuously improves employees' self-awareness and self-drive, and promotes the comprehensive development of individual employees. In addition, the Company is making a concerted effort to build a learning and self-drive organization and is focusing on creating a high-performance corporate culture through diverse talent training methods.



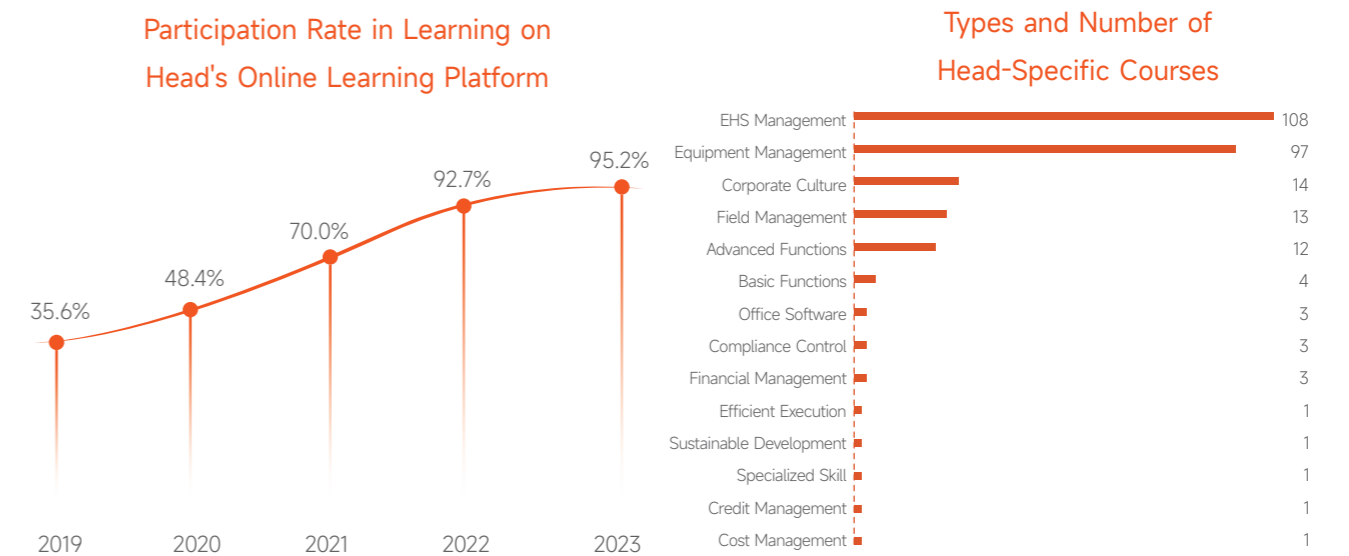
○ The Company's Training and Talent Development System

<b>Courses Study</b>	Through various methods, including online and offline, employees' professional capabilities can be effectively enhanced, lack of professional knowledge and skills can be compensated, and daily professional problem-solving skills can be improved.
<b>Mentorship</b>	Being a mentor not only deepens the understanding of problems, but also optimizes personal leadership style, which significantly improves leadership skills.
<b>Job Rotation</b>	Multi-professional, multi-departmental, multi-region, multi-level rotation to enrich employees' experience, increase cross-industry and cross-departmental expertise, and enhance the capacity for overall work control.

Indicator	Unit	2021	2022	2023
Number of training sessions	Times	209	355	416
Total number of participants trained	Persons	1,445	1,689	1,596
Total number of person-times trained	Person Times	13,991	33,857	57,321
Employee training coverage rate	%	100	100	100
Total duration of training	Hours	65,229.33	118,780	97,890.06
Average annual training hours of employees	Hours per Person	45.78	67.91	60.91

## Online Learning Platform

The Company has established an optimal *Online Learning Platform Management System* to guarantee the effective utilization of the online learning platform. The platform offers a comprehensive array of course resources encompassing a multitude of subjects pertaining to the Company's business, management, and skills, including online videos, courseware, case studies, which fully meets the diversified learning needs of employees. The online learning platform has been implemented across the entire workforce, with a total of 3,680 courses now available. Of these, 3,371 are platform courses and 309 are Head-specific courses. The wide application of the online learning platform further promotes the learning and development of employees, and improves the knowledge level and business ability of the whole team.





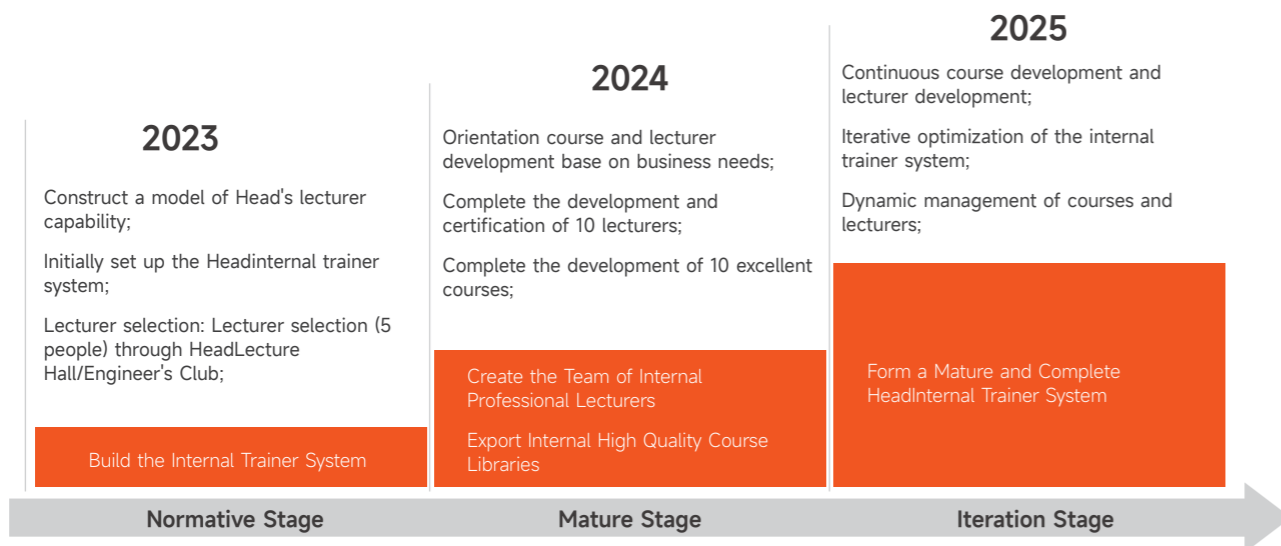
## Faculty Development

Head Group has developed a training program for internal trainers with the goal of "precipitating corporate wisdom and facilitating the growth of lecturers, creating a sharing platform and inheriting excellent genes". By exploring the curriculum and instructor resources of key projects and key positions, we are able to effectively promote the internal knowledge precipitation and the inheritance of excellent experience, so as to comprehensively support the construction of the talent training system.

The Company gradually establishes and improves the lecturer system, fully mobilizes the enthusiasm of internal lecturers, enhances their teaching ability, and ensures the effective implementation of the talent cultivation strategy. The training of internal lecturers is well divided into four levels, each of which sets clear training objectives and contents to ensure the specialized and systematic development of the lecturer group. By improving the courses' quality, developing premium courses, forming the Head course library, identifying and activating internal lecturers' resources, a high-quality Head lecturer group is established.

### The First Phase Internal Trainer Development Program

In March 2023, the Company launched the first phase of the internal trainer development program, aiming to select talents from various professional positions who have both the passion for sharing and the ability for continuous self-improvement, and incorporate them into Head's internal trainer group. After rigorous selection and evaluation, the Company successfully selected 5 outstanding internal trainers, who will become the first core internal training force of the Company and contribute significantly to the Company's talent cultivation and development.



○ Internal Trainer System Planning

## Talent Development Project

The Company recognizes the value of talent in enterprise development, actively builds and promotes comprehensive talent development programs. The program covers multi-dimensional training such as leadership development, engineering development, frontline management development, skilled worker development, ensuring that all employees can fully grow in all stages of their careers. At the same time, the Company advocates a learning and sharing mechanism through internal training and experience exchange, transforming individual wisdom into organizational strength and enhancing corporate competitiveness.

### Leadership Development Program

The Company gradually builds and implements 4 levels of leadership development programs: new, key, senior and excellent to help employees at different management levels to change their roles and enhance their ability to manage their positions. The new leadership development program is mainly for newly promoted managers and high potential talents; the key leadership development program is mainly for middle-level managers; and the senior and excellent leadership development program is mainly for senior managers. Besides, the New Leadership Integration Program is designed for new managers to help them quickly familiarize themselves with company culture, environment, and management requirements, and to establish relationships with leaders and colleagues.



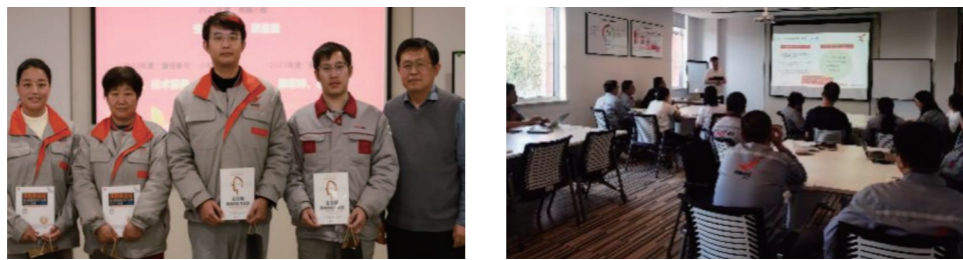
○ New Leadership Integration Program



○ Key Leadership Development Program

## Engineer Development Program

Through workshops, benchmarking learning, centralized training, coaching, and mentoring, the Company provides a platform for engineers and technicians to communicate, share, collaborate, and improve. The Excellent Engineer Club, as part of this program, is centered on cutting-edge technology forums, professional tools learning, and best practice sharing, inviting prominent figures and outstanding engineers within the Company to share and promote internal knowledge transfer and inheritance.



○ Excellent Engineer Club

## Frontline Management Development Program

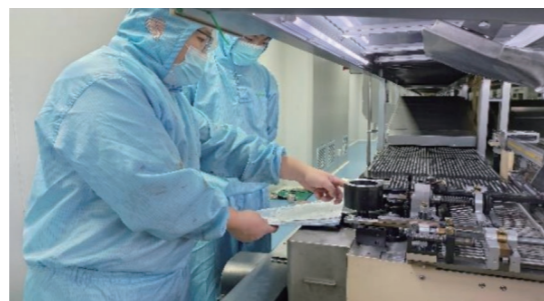
Through the Frontline Management Training Camp/TWI, the Company helps frontline managers to enhance their competency, build Head's responsible, well-skilled and manageable frontline management team, so as to improve the cohesion, motivation and execution of the primary team.



○ Frontline Management Development Plan

## Skilled Worker Development Program

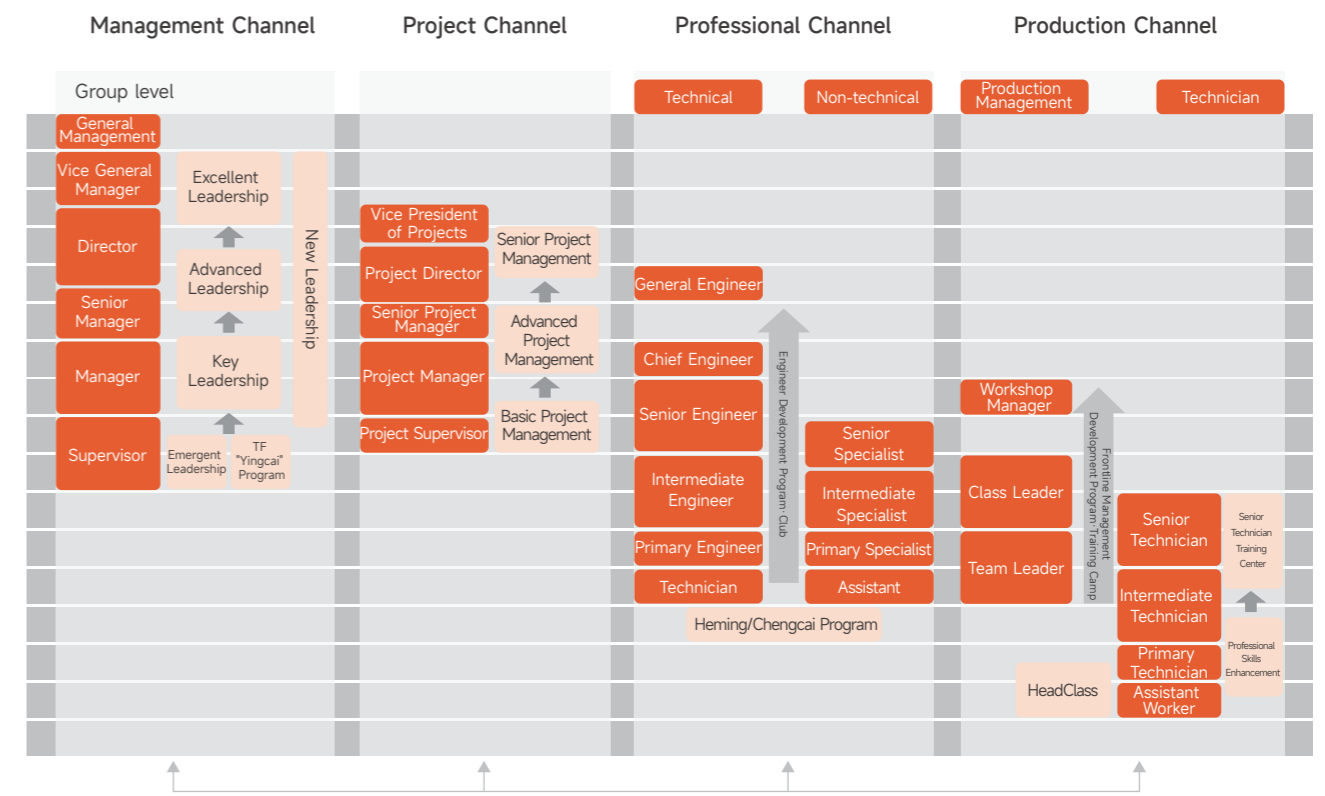
With the guidance of the Skilled Worker Ranking System, the frontline operators are incentive to continuously improve their operating skills to ensure the stable improvement of production and product quality.



○ Frontline Employees Skills Training

## Employee Development Channel

Head Group is dedicated to building a learning organization through the promotion of organizational innovation and the cultivation of outstanding talent. The Company has established a comprehensive career development system and a range of career development channels to assist employees in formulating development plans and encouraging continuous learning for all employees. Employees are able to select their own development paths in management, projects, professions, production, and other fields according to their own career orientation, personal strengths, and the Company's development needs, thereby fully utilizing their personal potential and achieving remarkable career advancement.



○ Employee Career Development Pathway

### Key Performance

During the reporting period, percentage of internal promotion of employees:

manager and above positions was **47.8%**.

# Occupational Health and Safety

## Occupational Health and Safety System

Head Group is well aware of the importance of production safety, and regards the safety and health of employees as the cornerstone of enterprise development, and spare no effort to promote the construction of safety culture. The Company adheres to the EHS concept of "strengthening safety, preventing risks, truly caring for employees' health, and realizing sustainable development", and has formulated the *Occupational Disease Prevention and Control Responsibility System*, *Three Simultaneous Management System for Construction Projects with Occupational Disease Protection Facilities*, and other internal standardized documents, forming a complete occupational health and safety management system, and continuously improving the safety management level of the Company.



○ Certification of Occupational Health and Safety Management System

To fulfill the primary objective of the Company's health management, reinforce the leadership of employee health and other initiatives, and optimize the long-term framework of occupational health management, the Company has established the Healthy Enterprise Management Office and the Leading Group of Healthy Enterprise Construction, which are responsible for formulating and implementing occupational health management policies, organizing and conducting employee health inspections, safety training, and emergency rescue drills for accidents, to ensure the overall health and safety of employees.

Occupational Health and Safety Goals	Goals in 2023 (Item)	Achievement
Death and major disability accidents (including contractors)	0	Achieved
Acute occupational health poisoning accidents	0	
Occupational disease accidents	0	
Fire accidents with economic losses ≥CNY50,000	0	
Open fire accidents	≤1	

## Safety Responsibility

The Company has formulated the *Production Safety Targets and Responsibility Management System* to put the responsibility of production safety into practice, and form a management mechanism according to "everything can be managed, everything can be guarded" to ensure the orderly production safety work. Also, in order to ensure the fulfillment of the Company's production safety targets, safety target responsibility letters were signed at each level. During the reporting period, the functional departments of all business divisions signed the *Letter of Responsibility for Safety Targets*, with a signing rate of **100%**, to fully implement the safety responsibilities.

We strictly assess the fulfillment of safety duties of each management department, managers and primary employees according to the *Safety Performance Assessment Scale* and *Safety Assessment Record of Production Safety Objectives and Job Responsibility System*. In addition, we implement the assessment of the employees, the assessment results are linked with their salary. Through the strict assessment mechanism, ensure that each employee can always keep in mind and fulfill their safety duties, and jointly maintain the Company's safety production environment.

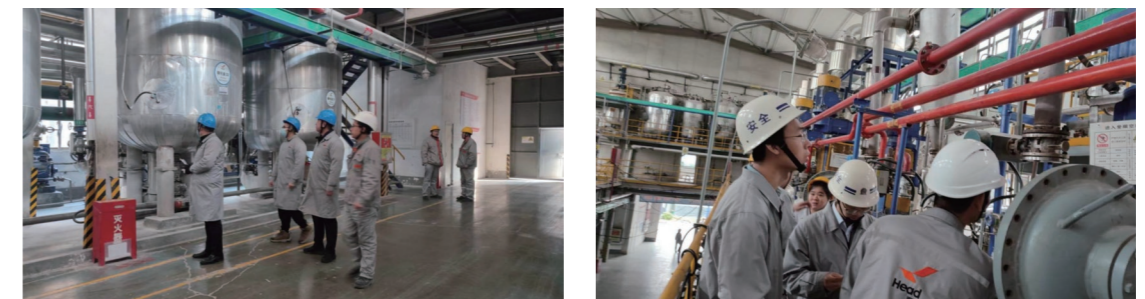
### Graded Assessment of Safety Accountability

- ▶ The Safety Production Committee is responsible for assessing the safety production accountability of the senior leaders at the corporate level in accordance with the *Safety Assessment Record of Production Safety Objectives and Job Responsibility System*;
- ▶ The Safety Department is responsible for evaluating the safety production accountability of each department leader according to the *Safety Performance Assessment Scale*.
- ▶ The department leaders are responsible for organizing the assessment of their own employees in accordance with the *Safety Assessment Record of Production Safety Objectives and Job Responsibility System*.

## Safety Production Risk Management

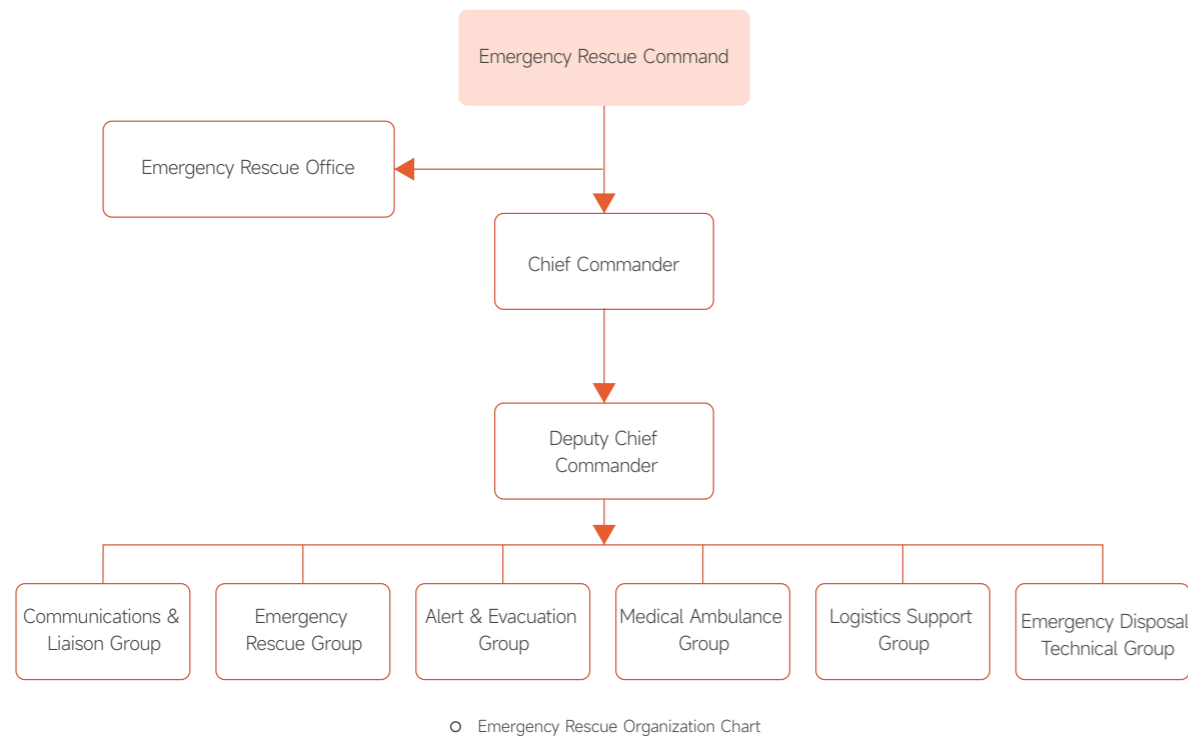
Head Group has established *Control Procedures for Identification and Evaluation of Danger Sources*, the Management System for Investigation and Management of Hidden Risks, and the *Management System for Significant Danger Sources*, which completely cover the entire process of the Company's activities, products, and services. The Company conducts identification and risk assessment of dangerous and harmful factors existing in the production classifies hidden risks by applying risk matrix analysis, and takes risk prevention and control measures to minimize safety risks and protect employees' lives.

The Company has formulated a hidden risks investigation plan and a special audit plan for 2023, and strengthened the daily hidden risks investigation work of safety management personnel to ensure the timely detection and handling of hidden safety problems. Meanwhile, the Company actively cooperated with government safety inspections, accepting and implementing the guidance and suggestions from relevant departments. During the reporting period, the Company conducted a total of **26** general, special, seasonal and holiday safety inspections and **42** special audits, as well as daily hidden risks inspections, and all identified hidden risks were dealt with promptly.



○ On-Site Hidden Risks Inspection of the Company

In accordance with the relevant requirements of the national *Guidelines for Enterprises to Develop Emergency Response Plan for Work Place Accidents*, the *Measures for the Administration of Contingency Plans for Work Safety Accidents* and other documents, Head Group is continuously enhancing the *Contingency Plan for Production Safety Accidents*, appointing the general manager as the chief commander, and establishing an emergency rescue organization with the leaders of all functional departments. To check and improve the effectiveness of the contingency plan, the Company continues to carry out emergency drills. During the reporting period, the Company conducted **84** drills for various plans.



### Emergency Drill for On-Site Disposal of Fire Accidents

In May 2023, the Company conducted an emergency drill to simulate the on-site disposal of fire accidents. The drill included a series of scenarios such as alarm, self-rescue, and fire reinforcement, to ensure that the fire can be quickly and effectively controlled when a real accident occurs, to guard the safety of employees and minimize the loss of property. This drill was successfully conducted, laying a solid foundation for future fire response work.



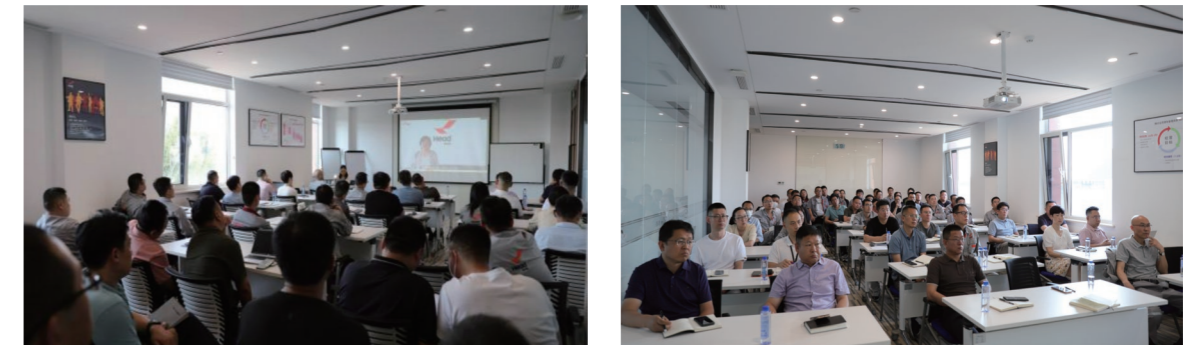
## Safety Management Initiative

To ensure all contractors comply with the Company's safety management requirements, the *Contractor Management System* has been implemented to management the safety of services provided by contractors across the entire process. Safety education and training for external construction personnel, along with the signing of the *Safety Agreement for External Construction Personnel*, guarantee the safety of employees and contractors.

The Head Group is dedicated to enhancing the awareness of production safety among employees. We regularly conduct various types of safety education activities to ensure that each employee fully comprehends the significance of production safety and possesses the skills necessary to maintain a safe work environment. Our activities not only encompass theoretical knowledge but also include the analysis of actual cases, allowing employees to gain a deeper understanding of the importance of production safety. Furthermore, the Company encourages employees to actively participate in safe production practices and to work together to create a safe and harmonious working environment.

### Safety Production Month and Safety Culture Construction Activities

In June 2023, Head Group held the launching ceremony of "Head Group Safety Production Month and Safety Culture Construction" in the headquarter office building. This activity is closely linked to the theme of "Safety for All, All Ready to Emergencies", with the goal of further enhancing the awareness of production safety, improving the quality of safety, creating a positive atmosphere, and laying a solid foundation for the Group's high-quality development.



### Safety for All, All Ready to Emergencies

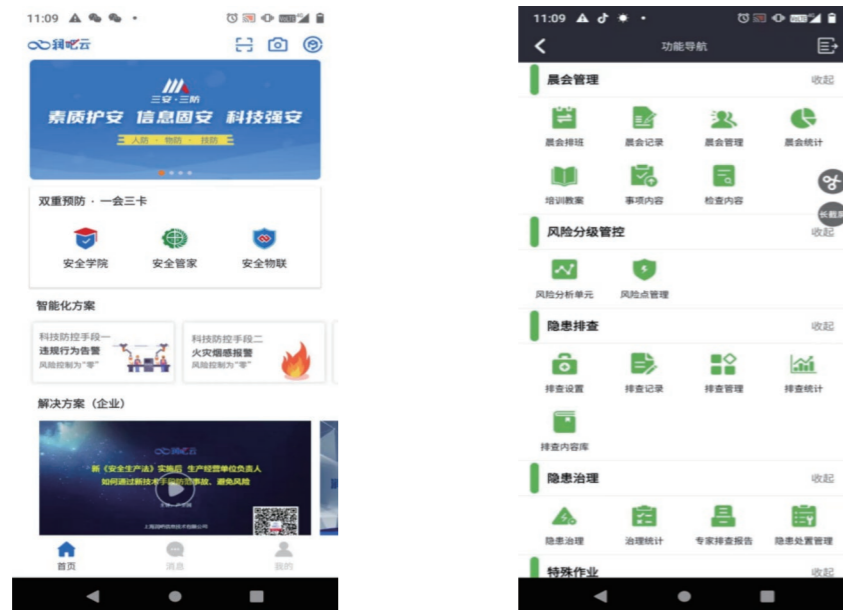
In May 2023, the Company conducted a special training program entitled "Safety for All, All Ready to Emergencies". The training focused on safety and aimed to enhance the Company's emergency response capability, with all levels of employees participating. During the training, through detailed explanations, illustrative case studies, and interactions, employees gained a deeper understanding of the significance of safety and mastered practical emergency handling techniques.



Indicator	Unit	2021	2022	2023
Total investment in safety education and training	CNY10,000	19.38	8.6	5.8
Safety education training sessions	Sessions	268	230	247
Participation in safety education and training	Person Times	9,500	7,157	8,707
Total duration of safety education training	Hours	22,700	17,590	20,607
Coverage of safety education and training	%	100	100	100
Coverage of safety risk protection training	%	100	100	100

### Security Informationization Platform Construction

In order to enhance the management of safety production, the Company has been actively developing a safety digital system since August 2023. The system integrates 6 modules: "double prevention", "special operation", "personnel positioning", "intelligent analysis", all elements management", and "morning meeting management", realizes precise monitoring and multi-layer warning for 9 production units and tanks, 16 analysis units, 32 risk events, 4 major hazardous source equipments and 39 real-time data interfaces of the Company. Through the synergy of synchronized large screen on the computer terminal with mobile terminal functions, it realizes the comprehensive intelligent data control from quick perception to systematic evaluation.



### Health Protection Initiative

Head Group adheres to a people-oriented management concept and places great importance on the occupational health and safety. The Company has established an *Occupational Hazard Warning and Notification System* and publicized the relevant information, signed the notification letter of occupational disease hazards with employees, and organized health checkup and training to ensure that employees have a full understanding of the hazards of their position and the protective measures. Furthermore, the Company has installed warning signs and provided a compliant office environment and labor safety facilities.

The Company has formulated the *Management System of Occupational Disease Protection Supplies* to carefully manage labor protection supplies. Each year, the factory tests the occupational hazards, takes timely preventive measures, and periodically holds physical examination for the employees, so as to guarantee their safety and health in all aspects.



○ Annual Physical Examination

Indicator	Unit	2021	2022	2023
Special operators licensed rate	%	100	100	100
Occupational injury insurance coverage for employees	%	100	100	100
Employee physical examination coverage	%	100	100	100
Occupational disease hazard detection rate	%	100	100	100
Number of new occupational diseases	Cases	0	0	0

## Chemical Security

To guarantee that all aspects of hazardous chemicals, including procurement, transportation, storage, use, evaluation, and disposal, comply with the safety standards, the Company has established the *Safety Management System for Hazardous Chemicals*, which is designed to safeguard personnel and promote the sustainable development of the Company.

### Departmental Responsibilities

#### Safety Department

Develop and revise hazardous chemical safety management systems as appropriate;  
 Establish the profile of hazardous chemicals;  
 Process the Company's license for the safe use of hazardous chemicals.

#### Procurement Department

Procurement management of hazardous chemicals;  
 Ask the supplier for safety instructions and safety labels.

#### General Workshop

Management of unloading, storage and transfer of hazardous chemicals in tank fields.

#### Logistics Management Department

Storage and issuance of hazardous chemicals from warehouses.

#### Utilization Department

Identifies all hazardous chemicals that can be exposed to in work processes and is responsible for the safe handling and daily safe management of hazardous chemicals.

### Hazardous Chemical Safety Training

A safety training on hazardous chemicals was implemented in the Company. The training covered: definition of hazardous chemicals, classification of chemical hazards, safety technical description of hazardous chemicals and emergency handling measures, and explanation of knowledge related to chemical safety management. This training not only improves the safety awareness of employees, also lays a solid foundation for the Company's safety production.



# Delivering Warmth and Care

---

- Community Welfare
- Corporate Volunteering



05

# Community Welfare

Since inception, Head Group has always adhered to the corporate mission of "Create Value, Contribute to the Success of our Customers, Care People Development, Advance Prosperity of our Society", never forgot our original intention, gave full play to our own advantages, carried out diversified public welfare activities according to local conditions, and actively contributed to the society through various ways such as helping the poor, visiting and condoling the needy.

## Key Performance

By the end of the reporting period, the Company has donated more than **CNY 6** million of various social welfare funds.

During the reporting period, the Company's public welfare donations totaled **CNY 270,000**.

### Visit Poor Families

In January 2023, the Company went to Dongpu Village to visit the poor families who were assisted by the point, and sent them care and warmth. Through this condolence activity, we not only passed on love and warmth, but also showed the good image of the Company and social responsibility. They use their own practical actions to interpret the profound connotation of "corporate citizenship" and contribute their own strength to the construction of a harmonious society.



### Participate in 2023 Zhoucun District Charity Donation Activity

In August 2023, the Company participated in the 2023 Zhoucun District charitable donation activity and donated CNY100,000. The secretary of the board of directors of the Company made a speech as the representative of the caring enterprise. This charitable donation activity is not only the promotion of the traditional virtues of the Chinese nation, but also a powerful transmission of positive social energy, successfully creating a warm and harmonious social atmosphere of "everyone cares about charity, actively supports charity, and actively participates in charity".



### Organize and Carry Out Public Welfare Activities to Send Cool Water

In September 2023, labor union of the Company sent sunstroke cooling items to the sanitation workers, passing the coolness and care to each of the city's first-line builders, reflecting the respect and respect for their hard work. In the future, the Company's labor union will continue to carry out public welfare activities, deeply care for the health of the front-line builders, sincerely pay tribute to the workers of various positions, ensure that the care is implemented, and send intimate greetings to the heart of each front-line builder.



### Care for Veterans

In October 2023, the Company organized veteran employees to carry out exchanges and symposiums to jointly commemorate the military years and discuss future development. The event aims to convey positive social energy, pay tribute to heroes, and highlight corporate social responsibility. Under the detailed explanation of the staff, the employees have a deeper understanding of the operating mechanism and development model of the enterprise, and also provide new ideas and directions for their future work. During the panel session, the veterans shared their touching stories in the army and their life experiences after discharge, inspiring everyone's confidence and determination to work hard for the great rejuvenation of the Chinese nation.



### Assisted the Construction of Senior Dining Hall in Dongpu Village

In December 2023, the Company went to Dongpu Village for sympathy activities, donated materials worth CNY10,000, and helped the construction of the elderly canteen with practical actions, highlighting the warmth of love in the society and the happiness of the city. This move not only promotes the traditional virtues of respecting, helping and respecting the elderly, but also contributes to the healthy development of the old-age care cause in Zhoucun district, and jointly protects the "happiness on the tip of the tongue" of the elderly.





# Corporate Volunteering

The Company attaches great importance to the region, friendly and companionable with neighbors. We actively promote social and economic development in our regions and do our best to practice corporate social responsibility. We actively listen to and value the views of local people, and encourage our employees to actively participate in the community.

By the end of the reporting period, the Company established the Head volunteer service team, with **50** volunteers. During the reporting period, a total of **27** volunteer activities were conducted, with **300** person-times participating in volunteer services and **1,431** hours of volunteer service.



○ Zibo City 2023 Unpaid Blood Donation Commendation Conference



○ Voluntary Blood Donation Unit

## Voluntary Blood Donation

In October 2023, Head Group actively responded to the call for unpaid blood donation, and our employees actively participated in blood donation activities with the spirit of "Humanity, Mutual Assistance, Fraternity and Dedication", and passed on great love with ordinary kindness. They use practical actions to interpret the Company's values of "Innovation, Self-drive, Responsibility, Share", adhere to the original heart with love, and use blood to relay for life, passing warmth and hope.



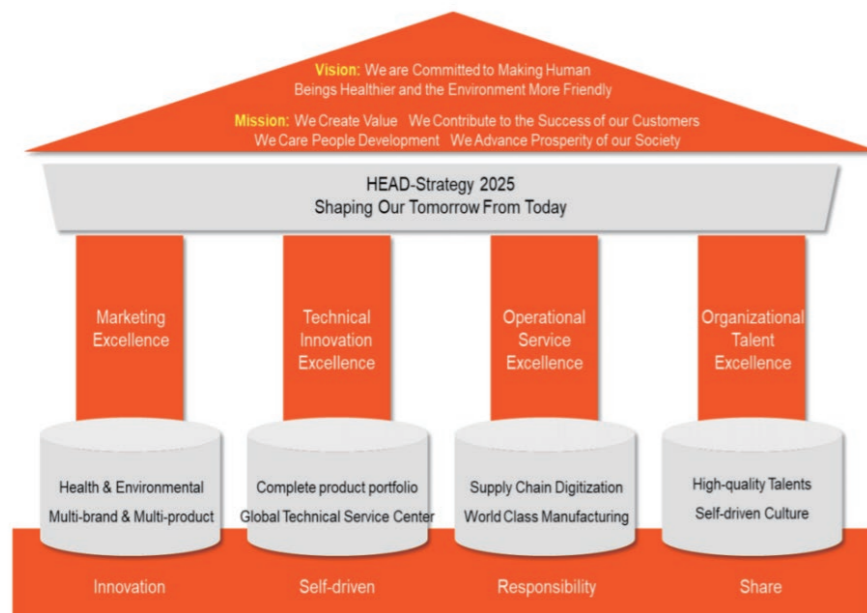
## Double Ninth Festival Respect the Elderly, Love the Elderly Volunteer Service

In October 2023, Head Group and "XingFuYuan" community jointly held a dumpling making activity, aiming to promote the traditional virtues of respecting and caring for the elderly. Volunteers prepared gifts, ingredients and tools early, and everyone worked together to make dumplings full of care and blessings. This activity not only enriched the old life of the old people, but also conveyed the warmth and care of the Company.



# For the Future

Head, always walking in the pursuit of excellence, with the goal of sustainable development in strategy and business, continue to innovate, self-driven and breakthrough. In the future, Head is committed to become a world-class enterprise through stable and consistent product quality, leading technology, global footprint (R&D, application, services and manufacturing), as well as world-class management, shaping "Head's core competitiveness".



Key Point	Our Goal
Going Global	Sales→Products/Technologies/Services/Management
Brand	Build brand international influence
Operation	Building a world-class lean factory, enhance digital capabilities
Competitiveness	Build a moat-style core competitiveness
Recognition	Highly recognized by shareholders, employees, government and market



# Appendix

## ESG Performance

	Indicator	Unit	2023
Governance Performance	Total times of the general meeting of shareholder's	Times	6
	Proposals considered at the general meeting of shareholders	Cases	26
	Number of board of directors	Persons	7
	Independent directors	Persons	3
	Non-independent directors	Persons	4
	40-50 Years Old	Persons	2
	50-60 Years Old	Persons	4
	60 Years Old and Older	Persons	1
	Bachelor Degree	Persons	3
	Master Degree	Persons	4
	Management	Persons	2
	Accounting	Persons	2
	Law	Persons	1
	Engineering	Persons	2
	Total times of the board of directors' meeting	Times	10
	Proposals considered at the board of directors	Cases	58
	Average attendance rate of directors	%	100
	Total times of special committee's meeting	Times	18
	Proposals considered at special committees	Cases	43
	Number of board of supervisors	Persons	3
Total times of board of supervisors' meeting	Times	10	
Proposals considered at the board of supervisors	Cases	34	
Average attendance rate of supervisors	%	100	
Internal risk training	Times	6	

	Indicator	Unit	2023
Governance Performance	Duration of internal risk training	Hours	6
	Number of participants in internal risk training	Person-time	132
	Actual tax paid	CNY10,000	13,008
	Proportion of signatures of Integrity Commitment Letter	%	100
	Signing of Integrity Agreements with co-operating partners	Pieces	660
	Periodic report disclosure	Pieces	6
	Interim announcement disclosure	Pieces	106
	Number of penalties imposed for information disclosure violations	Times	0
	Cash dividend per 10 shares	CNY	2
	Total cash distribution	CNY10,000	6,834
	Percentage of net profit attributable to shareholders of the listed company in the consolidated financial statements	%	30.86
	Investor communication meeting held	Times	2
	Investor communication response rate	%	100

	Indicator	Unit	2021	2022	2023
Environmental Performance	<b>Environmental Management</b>				
	Total environmental inputs	CNY10,000	5,452.92	4,902.12	8,804.43
	Total investment in environmental protection as a percentage of revenue	%	3.49	2.84	5.66
	Special training on environmental protection	Sessions	5	4	4
	Number of participants in special training related to environmental protection	Persons	723	755	820
	Duration of special training related to environmental protection	Hours	5	6	6.5
	<b>Energy and Resource Management</b>				
	Average annual photovoltaic power generation	10,000 kWh	-	-	118
	Carbon emission reduction	Tons	-	-	972.32
	<b>Three-waste Management</b>				
	Exhaust gas emission compliance rate	%	100	100	100
	Standard discharge rate of wastewater	%	100	100	100
	Standard disposal rate of hazardous waste	%	100	100	100

	Indicator	Unit	2023	
Industrial Performance	<b>R&amp;D Innovation and Intellectual Property Protection</b>			
	Total R&D Technical Staff		Persons	226
	Gender	Male	Persons	157
		Female	Persons	69
	Age	Under 30 years old	Persons	70
		30-40 years old	Persons	123
		40 years old and older	Persons	33
	Educational Structure	PhD	Persons	1
		Master	Persons	16
		Bachelor	Persons	89
		Below associate	Persons	120
	Number of new patents		Items	8
	Number of new utility model patents		Items	24
	Cumulative number of patents		Items	137
	Cumulative number of patents for inventions		Items	24
	Cumulative number of patents for utility model		Items	113
	<b>Product Responsibility</b>			
	Times of risk assessments conducted		Times	31
	Product pass rate(Cellulose ether division)		%	99.98
	Product pass rate(Healsee capsule division)		%	100
	Annual quality internal audit		Times	7
	Sampling by third-party organizations		Times	16
	Negative public opinion of company		Times	0
	Number of products withdrawn and recalled for health and safety reasons		Items	0
	Number of persons trained in quality culture		Person-time	7,065
	Total duration of quality culture training		Hours	225
	Number of quality culture training		Times	96
	<b>Customer Service and Responsible Supply</b>			
	Customer complaint handling rate		%	100
	Number of customer satisfaction questionnaires distributed	Pieces	Domestic	137
			Overseas	100
	Number of customer satisfaction survey questionnaires returned	Pieces	Domestic	128
			Overseas	74

	Indicator	Unit	2023			
Industrial Performance	Customer satisfaction	%	Domestic	94		
			Overseas	93		
	Number of incidents of leakage of customer information	Cases	Domestic	0		
			Overseas	0		
	Losses caused by violation of relevant laws and regulations	CNY10,000	Domestic	0		
			Overseas	0		
	Signing rate of Supplier Code of Conduct	%	100			
	<b>Information Security</b>					
	Information security and privacy protection breaches		Cases	0		
	Number of information security training		Times	3		
	Number of participants in information security training		Persons	1,559		
	Employee coverage of information security training		%	97		
	Total investment in data security		CNY10,000	20		
	<b>Social Welfare</b>					
	Total public welfare investment		CNY10,000	27		
	Participation in volunteer activities		Person-time	300		
	Number of volunteer activities		Times	27		
Total hours of volunteer activities		Hours	1,431			
Employee Performance	<b>Labour Relationship Management</b>					
	Total number of employees		Persons	1,449	1,693	1,599
	Number of employees with disabilities		Persons	1	2	2
	Number of minority employees		Persons	6	6	5
	Number of employees by gender	Male	Persons	997	1,183	1,117
		Female	Persons	452	510	482
	Number of employees by grade	Senior Management	Persons	8	8	5
Middle Management		Persons	103	100	106	
Primary Employee		Persons	1,338	1,585	1,488	
Number of employees by age	Under 30 years old	Persons	352	380	352	
	30-40 years old	Persons	505	625	597	

		Indicator	Unit	2021	2022	2023	
Employee Performance		40-50 years old	Persons	414	458	429	
		50 years old and older	Persons	178	230	221	
	Number of employees by education level		PhD	Persons	0	1	1
			Master	Persons	18	28	35
			Bachelor	Persons	222	256	267
			Associate	Persons	411	520	500
			Below Associate	Persons	798	888	796
		Number of employees by profession		Production	Persons	1,051	1,205
			Sales	Persons	60	79	80
			R&D Technology	Persons	193	233	226
			Finance	Persons	23	23	19
			Others	Persons	122	153	129
		Employee turnover rate	%	19	12.3	10.7	
	By gender		Male	%	20.2	13.6	11.3
			Female	%	16.2	8.9	9
	By age		Under 30 years old (30 years old is not included)	%	25.4	17.4	12.4
			30-40 years old (including 30 years old and excluding 40 years old)	%	22.7	13.4	11.5
			40-50 years old (including 40 years old and excluding 50 years old)	%	9.8	7.7	9.6
			50 years old and older	%	9	4.5	6.8
		Labour contract signing rate	%	100	100	100	
		Incidents of labour discrimination	Cases	0	0	0	
		Helping workers in difficulty	Persons	12	10	14	
		Social insurance coverage	%	100	100	100	
		Welfare expenditure	CNY10,000	425.8	617.7	455	
		Number of employees on maternity leave	Persons	2	20	28	
		Maternity leave return rate	%	100	100	100	
		Percentage of women in management	%	20	19	21	
		Proposal adopted by workers and employees' congress	Items	0	4	3	
	Proportion of trade union members among active employees	%	100	100	100		
	Employee participation rate in engagement surveys	%	-	-	98.6		

		Indicator	Unit	2021	2022	2023
Employee Performance		Employee engagement	%	-	-	93.1
	<b>Staff Training and Development</b>					
		Staff training sessions	Times	209	355	416
		Total number of persons trained	Persons	1,445	1,689	1,596
		Total number of persons trained	Person-time	13,991	33,857	57,321
		Staff training coverage rate	%	100	100	100
		Total duration of training	Hours	65,229.33	118,780	97,890.06
		Average annual training hours of employees	Hours/Persons	45.78	67.91	60.91
		Percentage of internal promotions (manager and above)	%	32.3	29.5	47.8
	<b>Occupational Health and Safety</b>					
		Number of security inspections	Times	48	24	26
		Number of security emergency drills	Times	66	69	84
		Total investment in safety education training	CNY10,000	19.38	8.6	5.8
		Number of safety education training	Cases	268	230	247
		Total number of participants in security education training	Person-time	9,500	7,157	8,707
		Total hours of safety education training	Hours	22,700	17,590	20,607
		Ratio of safety education training coverage	%	100	100	100
		Safety risk protection training coverage rate	%	100	100	100
		Percentage of special operators licensed to work	%	100	100	100
		Occupational injury insurance coverage for employees	%	100	100	100
		Employee medical examination coverage rate	%	100	100	100
		Occupational disease hazard detection rate	%	100	100	100
		Number of new occupational diseases	Cases	0	0	0

# Indicator Index

Framework	Content	Guide to Corporate Social Responsibility Reporting in China (CASS-ESG 5.0)	Sustainability Reporting Standards
About the Report		P1.1/P1.2/P1.3/G3.7	102-1/102-3/102-45/102-46/102-50/102-52/102-53/102-54
Messages from Chairman		P2.1/P2.2	102-14/102-15
About Head Group		P4.1/P4.2/P4.3/P4.4	102-1/102-2/102-3/102-6
Taking Responsibility for Sustainable Development	Sustainable Development Guidelines	G2.1/G3.2	102-26
	Sustainable Development Structure	G2.2/G3.1/G3.2	103-2
	Sustainable Development Goals	/	103-2
	Sustainable Development Actions	G3.5/G3.6	102-29/102-40/102-44/102-46/102-47/103-1
Building a Compliant and Stable Governance System	Corporate Governance	P4.4/G1.1/G1.2	102-18/102-22/102-24/102-26/102-34
	Compliance Risk Control	G1.3/G1.4	102-15/102-30
	Ethical Business	G1.5/G1.6/G1.7/G1.9	102-16/205-3
	Investor Relationship	G1.10	102-43/102-44
	Party Building	/	/
Shaping an Eco-Friendly Future	Environmental Management	E1.1/E1.2/E1.3/E1.4/E1.6/E1.7/E1.9/E2.14	307-1/302-5
	Energy and Resources Management	E2.1/E2.9/E2.5/V4.1	302-1/303-1
	Pollution Control	E3.1/E3.3/E3.5	303-2/303-4/306-4

Framework	Content	Guide to Corporate Social Responsibility Reporting in China (CASS-ESG 5.0)	Sustainability Reporting Standards
Generating Exceptional Social Impact and Value	R&D and Innovations	V2.2/V2.4	203-2
	Product Liability	S4.1/S4.2/S4.7	103-2/417-1
	Digital Transformation	/	/
	Customer Rights and Interests Protection	S4.1/S4.5/S4.7/S4.8	103-2/417-1/418-1
	Suppliers Management	S5.1/S5.2/S5.3/S5.6	102-9/414-2
Inspiring Talents and Career Development	Information Security	S4.6	/
	Employee Relationship Management	S1.1/S1.2/S1.3/S1.4/S1.5/S1.6/S1.7/S1.8/S1.9/S1.10/S1.11/V3.2	102-7/102-8/401-1/401-2/401-3/406-1/408-1/409-1
	Training and Development	S2.1/S2.2/S2.3/S2.4	404-1/404-2/405-1
Delivering Warmth and Care	Occupational Health and Safety	S3.1/S3.2/S3.4/S3.5/S3.6/S3.7/S3.8/S3.9/S3.10/S3.11	403-1/403-2/403-3/403-4/403-5/403-6/403-7/403-9/403-10
	Community Welfare	V3.4/V3.6	203-1/413-1/415-1
For the Future	Corporate Volunteering	V3.4	203-1
		A1	102-15
Appendix	ESG Performance	A2	102-7/102-8/302-1/302-3/303-4/306-4/401-1/404-1/405-1/415-1
	Indicator Index	A4	102-55
	Feedback Form	A5	102-53

# Feedback Form

Dear readers,

Thank you for taking the time to read this report. We appreciate and look forward to your feedback on this report. Your comments and suggestions are an important basis for us to continuously improve the disclosure of ESG information and promote our ESG management and practice. We welcome and sincerely thank you for your valuable comments!

1. Your overall assessment of our ESG performance is:

Very good    Good    Fair    Relatively Poor    Poor

2. Your overall assessment of this report is:

Very good    Good    Fair    Relatively Poor    Poor

3. How do you assess our performance in communicate with stakeholders?

Very good    Good    Fair    Relatively Poor    Poor

4. How do you assess our performance in product liability?

Very good    Good    Fair    Relatively Poor    Poor

5. How do you assess our performance in environmental, safety and occupational health?

Very good    Good    Fair    Relatively Poor    Poor

6. How do you assess our performance in employee responsibility?

Very good    Good    Fair    Relatively Poor    Poor

7. How do you assess our performance in ESG?

Very good    Good    Fair    Relatively Poor    Poor

8. Do you have any comments or suggestions on our ESG performance and this report?

---



---

