



2025 ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

Contact Number: 0718-8305899

Email: sales@heno.net.cn

Address: Baiyangping Industrial Park (Chemical Zone),
Enshi City, Hubei Province

CONTENTS

About Heno 01**Stakeholder Engagement 07****Materiality Assessment 08****Establish a compliant and efficient modern governance mechanism. 14**

Management Commitment	15
Governance Structure	15
Effective Operation of the Board of Directors, Supervisory Committee and Shareholders' Meeting	16
Data Security and Customer Privacy Protection	19

**Creating a Safe, Inclusive and Quality Employment Platform 21**

Employee Care	25
Talent Development	26
Occupational Health Management	29
Occupational Health and Safety Assurance	29
Prevention of Occupational Diseases	30
Hazard Identification	36
Manufacturing Emergency Response	36
Equity, Inclusion & Women's Empowerment	38
Workforce Composition	38
Employee Benefits	38
Salary Guarantee	40
Employee Care and Well-being	41
Democratic Management	42

**Upholding Shared Benefits & Win-win Corporate Social Responsibility 44**

Responsible Marketing	47
Quality Control	48
Product Marking	49
Innovation, Research and Development	49
Intellectual Property Management	51
Intelligent Management	51
Customer Complaint Management	53
Customer Satisfaction	54
Supply Chain Management	54
Rural Revitalization and Community Co-Development	55

**Building a Green, Low-carbon and Eco-friendly Enterprise 57**

Responding to Climate Change	59
Pollutant Emissions and Waste Management	65
Environmental Compliance	70
Energy Efficiency	73
Water Stewardship	76
Circular Economy	78



About Heno

Since 2011, Hubei Heno Biological Engineering Co., Ltd. has been dedicated to the production of natural nicotine and its multifunctional applications.

Upholding the concept of green development, we ensure the efficient operation of environmental and energy management systems consistently. We strictly comply with safety and environmental protection requirements, advance cost reduction, efficiency improvement and green production. We steadily implement full lifecycle pollutant management, resource recycling and energy-saving technological upgrades, striving to build an eco-friendly enterprise with excellent environmental quality.

Being deeply engaged in tobacco waste recycling, we maintain a leading position in China's natural nicotine market. In 2025, we formally established a corporate social responsibility (CSR) management system to fully integrate governance, environmental protection, social commitment and business operations.

Moving forward, we will further advance R&D into diversified nicotine applications. Guided by the CSR framework, we will stay committed to ecological protection and high-quality development. We aim to become a world-class high-tech enterprise specializing in comprehensive nicotine utilization, and drive sustainable development to new heights through responsible business practices.

As of 2025

The company has secured a total of 100 intellectual property (IP) assets, including 18 invention patents, 57 utility model patents, 3 computer software copyrights and 1 published academic paper.

With growing IP reserves and a well-established innovation ecosystem, we have been awarded more than 20 national and provincial honors, such as National Key Specialized, Refined, Differential and Innovative "Little Giant" Enterprise and National IP Demonstration Enterprise.

The provincial local standards applied for and approved by the company have filled the standard gaps in the production, processing and technical control of natural nicotine.

As of 2025

Cumulative intellectual property results

100 items

Invention Patent

18 items

Utility model patent

57 items

computer software copyrights

3 items

The company has been honored with nearly 20 national and provincial-level accolades

20 pcs

published academic paper

1 Article

About This report

Report Scope

This report presents the key performance indicators of Hubei Heno Biological Engineering Co., Ltd. in the areas of environment, social responsibility, and corporate governance for 2025, highlighting the Company's achievements in these fields for stakeholders and the public.

Report Scope

The report covers the Company's environmental, social, and governance activities from January 1, 2025, to December 31, 2025.

Preparation Basis

This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards, the United Nations 2030 Agenda for Sustainable Development, and the ISO 26000:2010 Guidance on Social Responsibility, reflecting the company's specific circumstances.

Titles & Appellations

In this report, Hubei Heno Biological Engineering Co., Ltd. is referred to as "Heno," "the company," or "we."

Data Description

All data cited in this report is derived from Heno's official documents, statistical reports, and financial statements.

Report Access

This report is available in electronic format and can be accessed through the contact information on Heno's official website. (Website: Heno Culture - Social Responsibility).

Speech by the leader Executive

Breaking new ground for steady growth, forging ahead with resolve.

For Heno, 2025 was a year of overcoming hardships and deepening expertise. It also marked a pivotal period when sustainability took full root and the value of corporate responsibility shone forth. Amid headwinds from a sluggish economy and profound industrial restructuring, we have adhered to our business principle of pursuing steady and far-reaching development, embedding sustainability into every aspect of our corporate strategy.

United as one, all team members of Heno rose to challenges. We delivered growth against odds and strived for breakthroughs amid difficulties. Through solid efforts and unwavering commitment, we live up to our corporate mission and strive for high-quality development.

1. Sound Operation: Uphold Fundamentals, Embrace Innovation, Improve Quality and Efficiency

Guided by market demands and driven by customer needs, we achieved rising sales of core products amid intensifying industry competition and further consolidated our market standing. We completed international compliance registrations, gained access to high-end markets, and delivered solid results from newly launched business segments.

We enhanced supply chain collaboration and pushed forward cost reduction and efficiency improvement across all operations. By optimizing production arrangements and operational management, we successfully offset external pressures and delivered steady improvements in overall operational performance.

2. Excellent Governance: Standardized Operations & Solid Risk Control

Guided by Party building, the company has continuously enhanced its internal control system, decision-making mechanisms and risk prevention and control framework to deliver refined, standardized and modern management. We maintain full compliance, align our operations with industry and international standards, and have obtained a number of national qualifications and honors. In response to deficiencies in workplace safety, we have conducted thorough reviews and comprehensive rectification. We have strengthened accountability among all employees, tightened on-site supervision and improved long-term management mechanisms, thereby safeguarding the company's sound and sustainable development.

3.Green Development: Low-Carbon Circularity and Responsible Practices

As a biotechnology company, we have embedded green principles throughout our entire production and operational processes. We continuously optimize production techniques and upgrade equipment to enhance the efficiency of energy and water consumption. All wastewater and exhaust emissions are consistently discharged in compliance with regulatory requirements, and hazardous waste is handled in a standardized manner.

Driven by technological innovation, we advance green transformation and build an energy-efficient, high-performance and circular production system. Through concrete actions, we protect the ecological environment and foster low-carbon development across the industry.

4. Empowerment & Mutual Progress: People First, Giving Back to Society

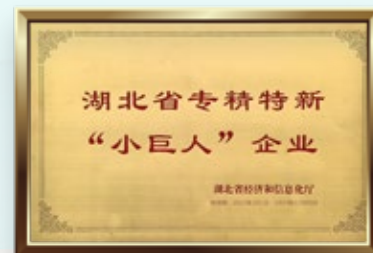
We firmly believe that people are our most valuable asset. We have refined full-cycle mechanisms for talent recruitment, training, incentives and career progression, provided a broad platform for employees to realize their potential, stimulate organizational vitality, and unleash creativity across the workforce. In 2025, the Company supported the certification and professional advancement of its employees, including the application of three employees for Senior Economist qualifications, one employee for First-Class Registered Fire Engineer certification, and the issuance or renewal of 21 special operation certificates. Mr. Li Jiang received the Science and Technology Progress Award conferred by the People's Government of Hubei Province. While remaining focused on our core business, we scale up technological R&D and the commercialization of research outcomes, contributing to the stability of industrial and supply chains and supporting local economic development through industrial growth. The Company operates in compliance with laws and business ethics, fulfills tax liabilities earnestly, and safeguards employees' legitimate rights and interests. We strive to give back to society and deliver responsibility with care.

As the saying goes, keep pursuing your journey without pause, and beyond the open plain lies spring on distant hills. In 2026, we will continue to follow the guidance of ESG principles. Adhering to green development, safety prioritization, digital empowerment and innovation-led growth, we will further deepen our sustainable development initiatives. With heightened aspiration, pragmatic approaches and robust momentum, we aim to build a top-tier domestic and globally leading high-tech enterprise engaged in comprehensive nicotine utilization. Our employees, partners, and all stakeholders, we will move forward with shared purpose, resilience, and confidence to create a future that is more robust, more valuable, and more sustainable. Together with our employees, partners and all stakeholders, we will move forward with resolve to jointly embrace a more resilient, value-driven and sustainable future.

May, 2026

Company Honors

Hubei Provincial Specialized, Refined, Differential & Innovative "Little Giant" Enterprise



National Intellectual Property Competitive Enterprise



Little Giant Enterprise (certified by the Ministry of Industry and Information Technology)



Hubei Intellectual Property Protection Workstation of Heno



Certification for Hubei Premium Product



High-tech Enterprise



List of Prestigious Trademarks of Hubei Province



Excellence Award, 4th Hubei High-Value Patent Competition



Enshi 2025 Reform and Innovation Award (Enterprise Category)



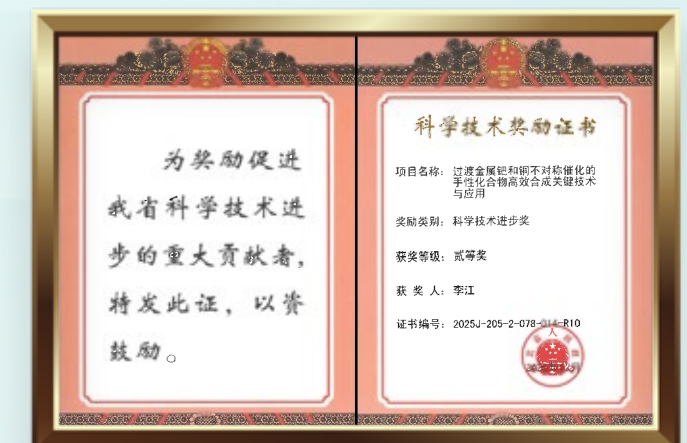
Enshi Overseas Intellectual Property Joint Protection Workstation



Hubei Provincial Trustworthy Enterprise for Contract Compliance (17th Session, 2022-2023)



Second Prize of Hubei Science and Technology Progress Award (Recipient: Li Jiang)
Key Technologies and Applications for Efficient Synthesis of Chiral Compounds via Asymmetric Catalysis with Transition Metals Palladium and Copper

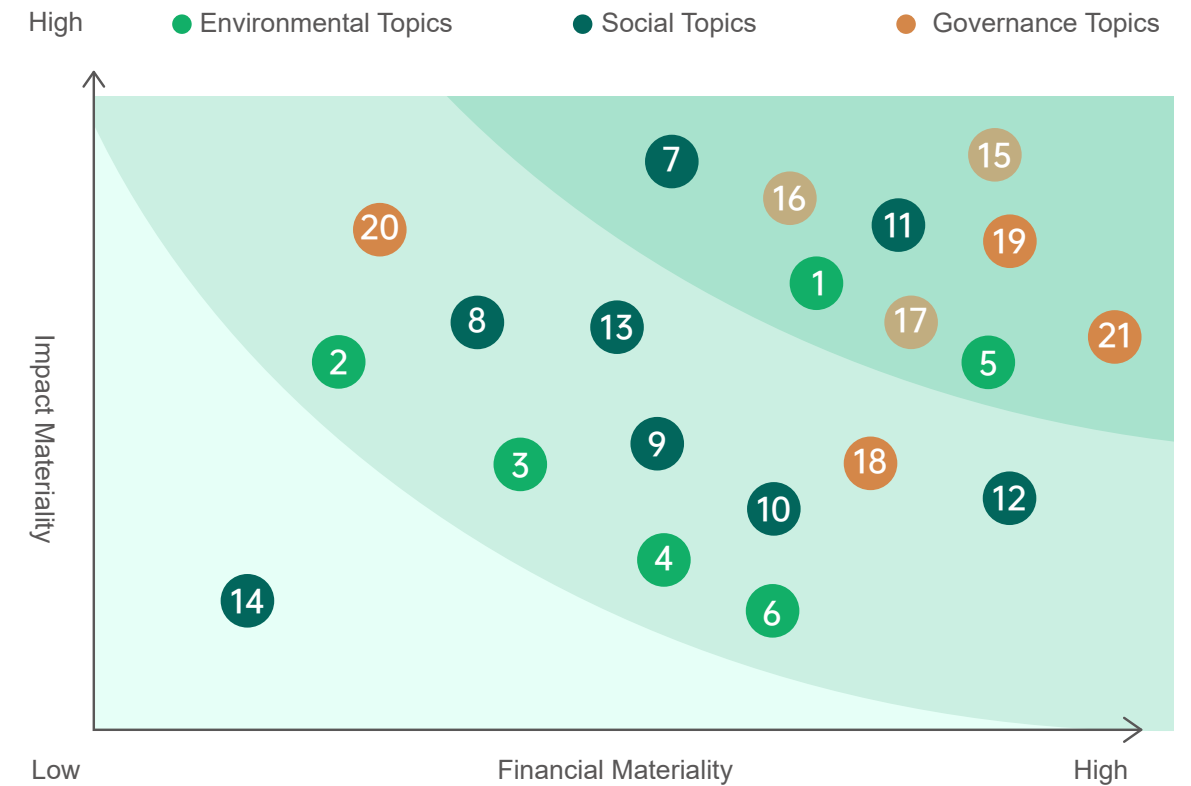


Stakeholder Engagement

As a responsible company which values corporate citizenship, Heno prioritizes stakeholder engagement by actively seeking to understand and listen to their expectations regarding our ESG practices. This input is a vital consideration in our strategic planning. In 2025, we identified our key stakeholders based on our operational realities, geographical location, and industry best practices. These stakeholders include government and regulatory agencies, customers, shareholders and investors, suppliers, engineering service providers, business partners, local communities, the public, and the natural environment. We have established tailored communication methods to effectively address the concerns of each stakeholder group.

Stakeholder Group	Main Stakeholders	Topics Of Interest	Communication Channels
Government and Regulatory Agencies	Ministries, Local Governments, Securities Regulatory and Market Management Authorities, Emergency Management Institutions, Ecology and Environment Institutions, Tax Authorities, Customs, etc.	Emissions Management, Community Co-Development, Anti-corruption, Climate Change, Energy Management, Environmental Protection, Resource Management, Health Promotion	Institutional Inspections, Official Correspondence, Policy Implementation, Information Disclosure
Customers	Companies in the Tobacco and Pharmaceutical Industries, Startups, Research Institutions, Scientists, Entrepreneurs, Pharmaceutical Companies, etc.	Intellectual Property Protection, Information Security, Quality Management and Service Assurance, Anti-corruption, Responsible Marketing, Sustainable Procurement	Market Research, Technical Discussions, Customer Service Hotline, Customer (Satisfaction) Surveys
Shareholders and Investors	Investors in the company's equity and bonds, Investment Firms, Rating Agencies	ESG Strategy, Risk Management, Capacity Building, Scaleup	Shareholders' Meetings, Disclosure and Reporting, Roadshows
Employees	Company Employees	Employee Development, Compensation and benefits, Occupational Health and Safety, Diversity and Inclusion	Policy Announcements, Management Meetings and Employee Assemblies, Internal Online Communication Platforms, Employee Training, Corporate Events, Employee Management Committees
Contractors	Infrastructure Project Contractors	Occupational Health and Safety, Resource Management	On-site Communication, Contractor Training
Suppliers	Raw Material and Equipment Suppliers	Sustainable Procurement	Supplier Evaluation, Supplier Communication and Training
Business Partners	Industry Associations	Industry Collaboration	Company Visits, Industry Forums
Community and Public	Residents around the Operating Sites, NGOs, Social Organizations, Media, etc.	Community Relations, Health Promotion	Volunteer Services, Community Activities, Interviews
Natural Environment	Natural Environment Affected by the Company's Operations	Emissions Management, Climate Change, Energy Management, Environmental Management, Resource Management	Monitoring and Evaluation

Materiality Assessment



Environmental	Social	Governance
1. Climate actions	9. Rural Revitalization	17. Due Diligence
2. Pollutant Emissions Management	10. Social Contribution	18. Stakeholder Engagement
3. Waste Management	11. R&D Innovation	19. Anti-bribery and anti-corruption
4. Ecosystem and Biodiversity	12. Technology Ethics	20. Fair competition
5. Environmental Compliance	13. Supply Chain Security	
6. Energy Efficiency	14. Product and Service Safety and Quality	
7. Water Stewardship	15. Data Security and Customer Privacy Protection	
8. Circular Economy	16. Employees	

Impact on the Value of Heno

Impact on the Economy, Society and Environment

Material Topic	Scope of Impact			Nature of Impact		Duration of Impact			Stakeholders	Risks	Opportunities	Relevant SDGs in This Report
	Upstream	Operations	Downstream	Positive	Negative	Short-Term	Medium-Term	Long-Term				
Stakeholder Engagement	✓	✓	✓	✓		✓	✓	✓	All stakeholders	Failure to respond to stakeholder expectations and requests may result in reduced transparency and weakened external evaluation.	Reasonably can enhance transparency and build trust with stakeholders.	
Anti-Bribery and Anti-Corruption	✓	✓	✓		✓	✓	✓	✓	Shareholders, Regulators, Industry partners	Commercial bribery and corruption incidents can cause serious economic loss and reputational damage, leading to legal and compliance risks.	Improving internal control systems promotes corporate integrity and supports healthy operations.	
Data Security and Customer Privacy Protection	✓	✓	✓		✓	✓	✓	✓	Customers, Consumers, Shareholders, Industry partners, Regulators	Inadequate data management and protection could result in data leaks, regulatory violations, loss of customer trust and damage to the Company's IP.	Strong data protection builds a positive reputation and improves customer satisfaction. Prevention of data leaks is critical to the protection of the Company's IP.	
Fair Competition	✓	✓	✓	✓	✓	✓	✓	✓	Shareholders, Regulators, Industry peers, Customers	Unfair pricing or improper competition may cause regulatory disputes or loss of downstream partner trust.	Compliance with fair competition laws enhances company reputation and fosters industry collaboration.	
Climate Actions	✓	✓	✓	✓	✓	✓	✓	✓	Industry partners, Regulators, Suppliers, Customers, Consumers	Extreme weather and natural disasters caused by climate change may affect production; policy and market transformation risks may increase operating costs; ensure compliance with environmental regulations and carbon emission management requirements when establishing overseas operations, recognizing differences from domestic standards.	Investing in clean energy and low-carbon technologies helps control emissions and enhance long-term competitiveness; participate in sustainability-linked financing to enhance global competitiveness; and collaborate with local professional institutions to ensure environmental compliance management.	 
Circular Economy	✓	✓	✓	✓	✓	✓	✓	✓	Suppliers, Customers, Consumers	Low recovery and recycling rates of auxiliary materials and packaging that do not meet customer or local regulatory requirements may result in penalties or loss of orders.	Improving recycling systems and material efficiency reduces costs and environmental impacts.	 
Environmental Compliance		✓			✓	✓	✓		Regulators	Environmental issues may be exposed through external complaints or regulatory actions, affecting business continuity.	Improving environmental risk management can reduce operational costs and enhance corporate image.	
Water Stewardship		✓			✓	✓			Communities, Employees	Lack of effective management may lead to high water costs and increased operating expenses.	Implementing efficient water management strategies reduces costs and improves sustainability.	
Pollutant Emissions Management		✓			✓	✓			Communities	Failure to meet pollutant discharge standards may result in penalties, reputational damage, or environmental compliance risks.	Effective pollution prevention supports long-term environmental responsibility and brand trust.	
Waste Management		✓			✓	✓			Communities	Improper or inadequate waste disposal may result in local environmental pollution.	Regulatory-compliant waste management enhances corporate image and environmental responsibility.	
R&D Innovation	✓	✓	✓	✓		✓	✓	✓	Shareholders and Investors, Customers, Consumers, Suppliers, Industry Peers	Challenges in implementation or incompatibility with current systems may hinder innovation and delay project progress.	Innovative planning can drive industry growth and contribute to social and economic development.	 

Material Topic	Scope of Impact			Nature of Impact		Duration of Impact			Stakeholders	Risks	Opportunities	Relevant SDGs in This Report
	Upstream	Operations	Downstream	Positive	Negative	Short-Term	Medium-Term	Long-Term				
Technology Ethics	✓	✓	✓		✓	✓	✓	✓	Regulators, Customers, Consumers, Suppliers, Communities	Lack of effective oversight may lead to potential ethical risks in technology use, regulatory penalties, or reputational loss.	A well-established ethical governance system enhances brand competitiveness and market trust. Advocating for a healthy research and development concept also benefits product sales.	 
Ecosystem and Biodiversity		✓	✓	✓			✓	✓	Communities, Customers	Human activities can lead to environmental degradation and damage to habitats	The raw materials of the product are agricultural waste, which can reduce the ecological damage caused by raw material cultivation, enhance ecological protection efficiency, and support biodiversity conservation.	 
Product and Service Safety and Quality	✓	✓	✓	✓	✓	✓	✓	✓	Regulators, Customers, Suppliers, Consumers	External regulatory changes may expose product risks. Failure to comply may lead to penalties, reputational loss, or market limitations.	High-standard compliance improves quality assurance, safety, and market competitiveness.	 
Employees	✓	✓		✓	✓	✓	✓	✓	Employees, Industry Partners	Throughout the employee lifecycle - from recruitment, development, deployment to retention - inadequate implementation plans, non-standardized execution, lack of process transparency, or poor communication channels may create perceptions of inequity. This can diminish workforce morale and engagement, potentially leading to increased complaints and higher turnover rates.	By valuing talent and providing employees with a robust employment platform, we can cultivate a workplace founded on equality, inclusion, diversity, and health safety. Through comprehensive learning and growth opportunities, we can empower employees to realize their potential while gaining future-ready competencies. This approach enhances job satisfaction and retention, creating a virtuous cycle that drives sustainable organizational growth.	   
Supply Chain Security	✓	✓	✓	✓	✓	✓	✓	✓	Industry Partners, Customers, Consumers	Insufficient supply chain resilience may cause disruptions and safety incidents.	Secure supply chains ensure business continuity and boost customer confidence.	 
Due Diligence	✓	✓	✓	✓		✓	✓	✓	Industry Partners, Customers	Inadequate effectiveness or reliability of due diligence may lead to various potential risks.	Thorough due diligence helps identify potential company risks and enhances resilience.	
Rural Revitalization and Social Contribution		✓		✓		✓	✓	✓	Communities	Non-compliance events in project implementation may cause public concern or legal disputes, damaging the company's image.	Community engagement fosters shared value and drives local economic growth and brand trust.	    

ESTABLISH A COMPLIANT AND EFFICIENT MODERN GOVERNANCE MECHANISM. >>>

Response Topics

Due Diligence、Anti-commercial Bribery and Anti-corruption、
Anti-unfair Competition
Data Security and Customer Privacy Protection

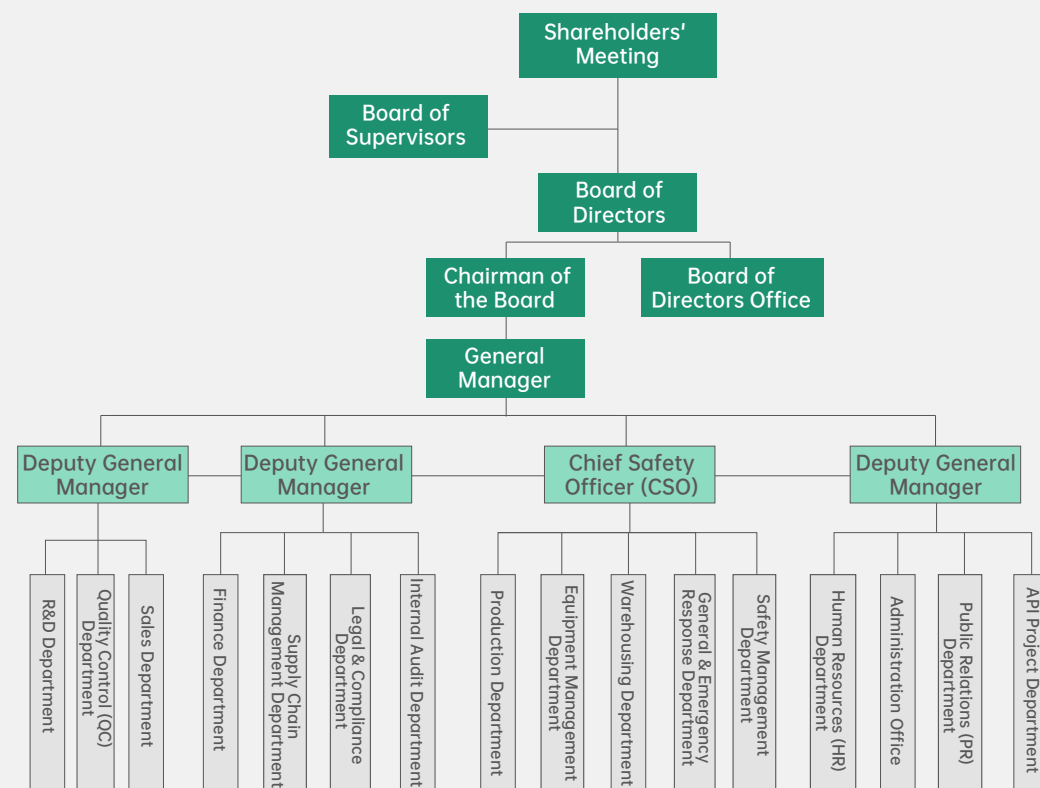


Management Commitment

A robust corporate governance framework is the cornerstone and essential foundation of our company's sustainable development. We are dedicated to integrating the philosophy of "Harmony with Nature, Promise Over Treasure" into every aspect of our sustainable governance practices. This commitment encourages board members and management to fulfill their responsibilities while continuously improving governance transparency. We firmly believe that good governance practices clarify the distribution of responsibilities, protect shareholder rights, enhance corporate value, and enable us to share the benefits of our growth with all stakeholders.

Governance Structure

The organizational structure of corporate governance is continuously optimized in accordance with the relevant laws and regulations of the Company Law of the People's Republic of China and the Articles of Association of Hubei Heno Biological Engineering Co., Ltd., in conjunction with the Company's development strategy.



Effective Operation of the Board of Directors, Supervisory Committee and Shareholders' Meeting

The Company's Board of Directors adheres to diversity, taking into account the age, educational background, ethnicity and expertise of its members to ensure that the Board of Directors is able to provide professional decision-making through a multi-dimensional perspective and to enhance the Company's ability to develop in a sustainable manner. The Board of Directors consists of five members, whose expertise covers the fields of finance, management, technology, R&D, psychology, etc., providing strong support for the efficient operation of the Board of Directors.

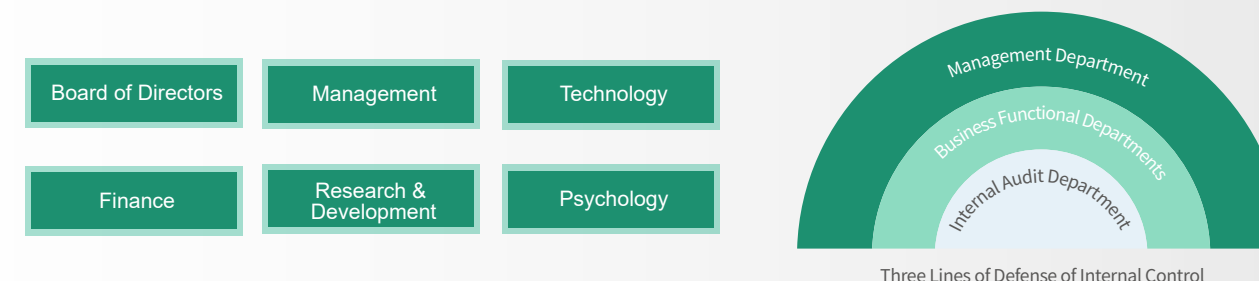
According to the Board of Directors Meeting Rules, the Board of Directors, as the highest authority on product and service quality, is responsible for regularly reviewing relevant management systems and ESG performance, ensuring that the related management frameworks are implemented and monitored. It promotes close collaboration among all business departments to jointly advance efforts in quality, service, and supply chain management, integrating every employee into the collaborative framework of ESG management.

The General Manager shall be nominated by the Chairman of the Board and appointed or removed by the Board of Directors. Deputy General Managers, Chief Financial Officer, Board Secretary and Chief Safety Officer shall be nominated by the General Manager and appointed or removed by the Board of Directors.

The company's management goal is to ensure that product and service quality meets international and industry certification standards, legal and regulatory requirements, as well as customer expectations. To achieve this goal, the Company has established a comprehensive production monitoring system, quality management system, supplier management system, and a series of systematized management standards and processes that meet practical needs, continuously improving its ESG management.

The company adheres to an internal control philosophy of "management institutionalization, process standardization, and process digitization," with the aim of establishing a strict, standardized, comprehensive, and effective internal control system that is risk-management-oriented and compliance-focused. This system has established an all-encompassing risk prevention mechanism that involves the entire company, all employees, all processes, and the entire system, to achieve the control objectives of "strengthening internal control, promoting compliance, and preventing risks," effectively ensuring the Company's high-quality development.

The company's internal control system implements tiered and categorized management, establishing a solid "three lines of defense" composed of the lead management department (the Legal and Compliance Department), the business functional departments (based on the principle of "whoever manages the business, is responsible for internal control, compliance, and risk management"), and the Internal Audit Department (responsible for audit supervision and accountability). These departments each perform their duties and work together to ensure the rigor and effectiveness of the internal control system.



The Compensation Management Policy aims to inspire employees' enthusiasm for their work, enhance their sense of belonging, and thereby motivate and increase their work efficiency.

The Hubei Heno Biological Engineering Co., Ltd. Employee Performance Management Plan emphasizes the impact of operational activities on the economy, the environment, and people, including:

Board of Directors	▶	Responsible for the formulation and effective execution of the Company's internal control system.
Supervisory Board	▶	Supervises the Board of Directors in establishing and implementing internal control.
Management	▶	Responsible for organizing and leading the daily operation of the Company's internal control.
Internal Audit Department	▶	Specifically responsible for organizing, coordinating, and implementing the Company's internal control and daily operations.

The Hubei Heno Biological Engineering Co., Ltd. Anti-Corruption and Anti-Bribery Policy focuses on supervising and managing personnel in key departments and positions, establishing a long-term mechanism for anti-corruption and anti-bribery efforts to prevent illegal activities and conflicts of interest, ensuring the Company's compliance in operations.

The company organized comprehensive training for all employees on the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act (UKBA), and China's Anti-Unfair Competition Law, fostering a compliance culture where corruption is "impossible, deterred, and unthinkable." In 2025, no negative incidents involving conflicts of interest or corruption were reported.

During the reporting period, the signing rate of the Compliance Code of Conduct and Anti-Corruption and Anti-Bribery Commitment by management personnel was 100%. The Policy establishes a "zero-tolerance" approach to such incidents, committing to abstain from any money laundering activities and ensuring full corporate compliance.

We believe that good corporate governance practices are crucial for effective risk management. The Board of Directors and Internal Audit Department extensively oversee governance risks to control the Company's risk, enhance the reliability of information disclosure, and ensure the legality and compliance of the Company's actions, all to achieve the Company's strategic objectives.

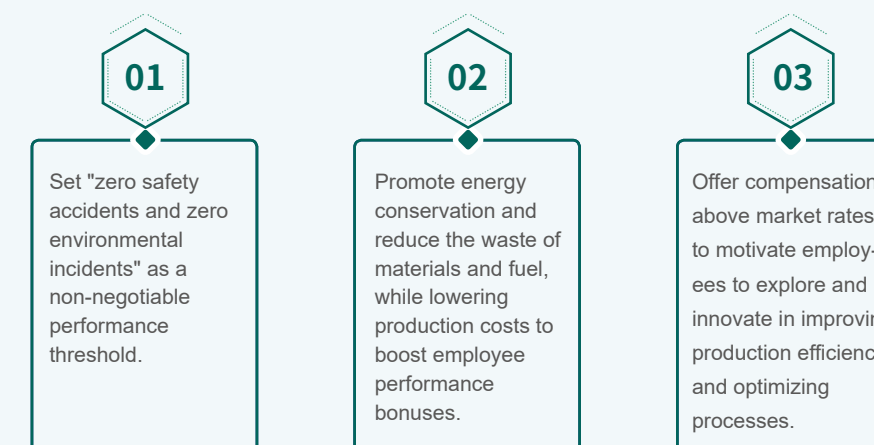
The Company has consistently implemented the Internal Control Policy, the Legal Affairs Management Policy and the Implementation Measures for Internal Control Compliance and Risk Management of Hubei Heno Biological Engineering Co., Ltd. These documents cover various areas such as environmental control, business control, accounting system control, information system control, information transmission control, and internal audit. They span all departments, business units, and process stages within the Company and identify the key areas for internal control compliance risk management as: market transactions, safety and environmental protection, quality management, employment, financial taxation, intellectual property, and business partnership.

The Board of Directors, as the core governance body, is responsible for operational management and strategy formulation, overseeing the implementation of management strategies, and monitoring the Company's operational and financial performance, ensuring the soundness and completeness of the internal control and risk management system.

To continuously enhance compliance levels, the Company regularly provides training for directors to improve their professional skills, disseminates updates on laws and regulatory documents, and encourages all directors to participate in compliance training related to internal policies, codes of conduct, and securities market laws and regulations. During the reporting period, the Company held two compliance training sessions for the Board of Directors.

Case Study

Case study: In order to enhance employees' sense of belonging, the Company has implemented an equity incentive program, particularly for senior executives and key technical personnel, by granting them company shares or stock options, thus binding their interests to the long-term development of the Company.



The company encourages employees to actively participate in building a strong risk management culture, promoting the core values of "compliance with the law and integrity in business." To support this, the Internal Audit Department is tasked with organizing regular risk management training and audit activities, strengthening compliance assessments, and integrating internal control and compliance risk management into each department's annual performance reviews. Additionally, the Company conducts compliance evaluations for all employees, establishing compliance records that serve as a key reference for employee appraisals, promotions, and selection for recognition.

We advocate for gender equality and respect for human rights. To that end, we have implemented the Prevention and Disciplinary Measures for Workplace Harassment, Violence, and Discrimination, and established a Complaint Committee. This committee includes five members: the Chairman of the Board as Chairperson, the General Manager, one Deputy General Manager, and two staff union representatives (one of whom must be female), ensuring the protection of employee rights.

Case Study

Themed Training on Social Responsibility

Upholding compliance-driven operations and a people-centered philosophy, the Company has launched tiered training programs covering employee rights protection, occupational health and compliance implementation.

Through a blend of in-person internal workshops, external expert-led training, and company-wide online courses, we systematically delivered training on social responsibility topics such as occupational health management (including workplace disease prevention), employee policies and procedures, fire safety, and safe operation of special equipment. The training covered production, safety, emergency response, quality control, R&D, and all employees, continuously strengthening social responsibility awareness and compliance capabilities across the workforce. In doing so, we effectively safeguard employee health, safety, and legitimate rights and interests, while driving the efficient operation of the company's social responsibility management system.

Case Study

Contract Management

The Company continuously enhances end-to-end contract process control, with the legal department rigorously fulfilling its review and approval responsibilities. A total of 462 contracts were reviewed over the year, of which 25 (representing 5.4%) were either rejected or withdrawn and revised following legal consultations. For each non-compliant contract, the legal team engaged in detailed communication, identified specific risk points, and provided actionable revision recommendations, effectively mitigating operational and legal risks. As a result, the quality and efficiency of contract compliance management have steadily improved.



Our compliance management system operates efficiently in line with the international standard ISO 37301:2021 and the national standard GB/T 35770-2022. We keep refining compliance control mechanisms. In 2025, the company maintained fully compliant operations throughout the year, with no incidents of unfair competition, commercial bribery, or major compliance violations.

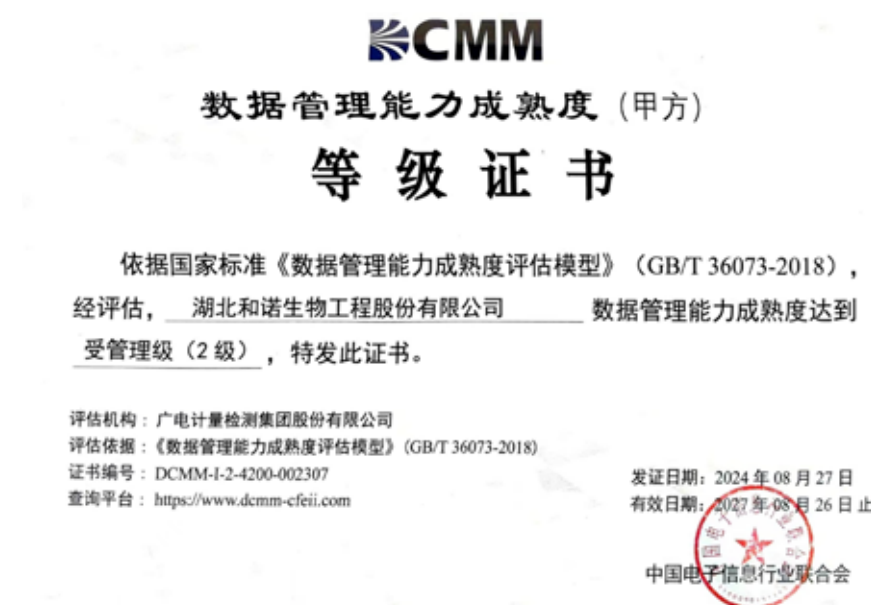
Data Security and Customer Privacy Protection

In order to ensure the safe and efficient operation of network and information systems, enhance the security operation capability of business systems, and comprehensively reduce information security risks, the Information Security Risk Assessment Management Measures and Information Security Management Policy have been formulated. These effectively prevent risks such as information leakage, tampering, and loss. The above policies standardize all aspects of the Company's information management—from data collection, storage, and processing to transmission—providing a robust foundation for information security and safeguarding normal business operations. These measures ensure the protection of critical data, including trade secrets, technical documentation, and customer information, against unauthorized access or misuse. In 2025, the Company reported zero information security incidents.

The Company has established a full-process closed-loop management system in strict adherence to the principle of traceable origins, trackable flows and controllable status. Company installed 369 video surveillance cameras across raw material storage and production areas, directly connecting the footage to the tobacco regulatory authority's monitoring system for real-time oversight.



On September 12, 2025, we held a training session on information security. All employees participated in the training, which effectively enhanced their awareness of the protection of company operational data and customer privacy.



In 2025, the Company further consolidated its achievement of reaching Level 2 (Managed) in the Data Management Capability Maturity Model. We fully implemented data management regulations, strengthened full-lifecycle data management and information security assurance. The data governance system operated steadily with continuously improved performance.

CREATING A SAFE, INCLUSIVE AND QUALITY EMPLOYMENT PLATFORM >>>



Employees



Governance

Occupational Health Management Framework

The company has set up a three-tier occupational health management network. We formulate and implement plans for preventing and controlling occupational diseases. We regularly review our prevention efforts and report progress to the employee representative conference each year. In addition, we actively seek and incorporate employees' suggestions on occupational health.

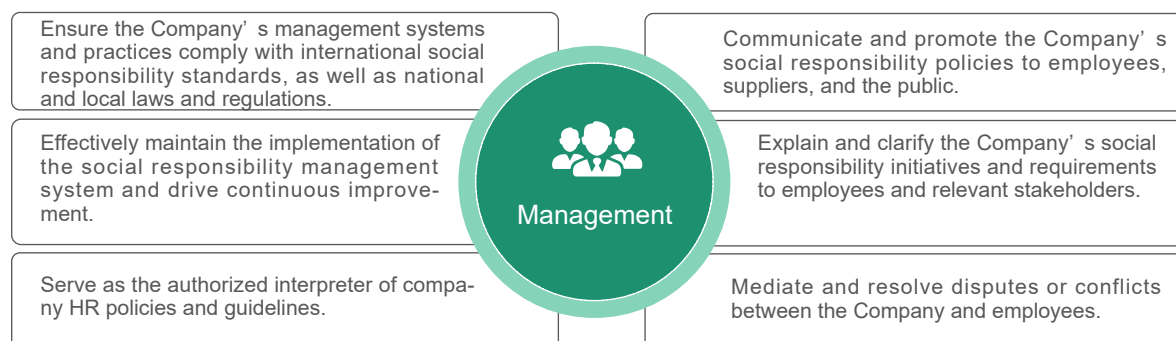


Manufacturing Safety Control Structure

The company set up two teams to implement a dual prevention mechanism for controlling safety risk levels and identifying hazards in manufacturing.



Democratic Management Structure



Develop the Company's compensation and benefits plans in accordance with corporate social responsibility (CSR) policies and principles, ensuring compliance with local regulatory requirements.



Monitor labor contract compliance and assist contract officers in resolving execution-related issues and disputes.

Participate in labor contract dispute resolution through negotiation, mediation, arbitration, or litigation.



Elected by employees to represent their interests.

Regularly gather employee feedback and suggestions on company policies, systems, and operations.

Submit employee concerns and proposals to company management.

Collaborate in developing solutions to employee issues and promote improvement measures.

Emergency Management Framework

The company established an Emergency Response Leading Group, led by the Chairman and General Manager, with an emergency office and eight specialized groups: Rescue and Relief, Environmental Monitoring, Alert and Evacuation, Communication and Liaison, Logistics, Waste Disposal, Post-Incident Handling, and Medical Aid. This Leading Group is responsible for formulating and implementing Heno's emergency plan for manufacturing safety accidents and organizing on-site emergency rescue efforts.



Strategy

Employee Care

Respect for Human Rights

Respect for human rights is a core aspect of corporate social responsibility. The company adheres to a people-oriented approach as its fundamental business philosophy, consistently regarding "realizing employee value" as a key mission in its development

Impact, Risk and Opportunity Management

Upholding the commitment to respecting and protecting human rights, we keep optimizing our social responsibility management system to fully safeguard employees' legitimate rights and interests. All forms of discrimination are strictly prohibited, which helps mitigate legal risks, enhance employee satisfaction and bolster corporate reputation.

The Company formally rolled out its social responsibility management system in compliance with the SA8000 standard in December 2024, and obtained the corresponding certification on May 9, 2025, earning official recognition for our system development.

Throughout 2025, the company fully advanced the on-ground implementation of the system, continuously monitored and prevented social responsibility as well as safety and health risks, steadily improved the working environment and labor conditions, and strengthened labor protection.

To protect employee rights and interests, the Company has formulated and strictly enforced a set of management procedures, including Grievance Handling, Anti-Discrimination, Prohibition of Disciplinary Abuse, Prevention of Forced Labour, Working Hours Management and Staff Representative Administration. These measures support the all-round development of employees and demonstrate our proactive commitment to corporate social responsibility.

Specific measures include:

Aligned with the United Nations Sustainable Development Goals (SDGs), we continue to refine and implement human rights policies. We ensure all employees and business partners fully understand and abide by our human rights commitments, and integrate human rights principles into daily operations and all business activities. We protect employees' fundamental labor rights in accordance with applicable laws, and strictly enforce requirements on fair remuneration, safe working environments and reasonable working hours to safeguard employees' legitimate rights and interests.

We maintain a zero-tolerance policy toward discrimination and harassment, and continue to enforce the Workplace Violence and Discrimination Prevention Measures and Complaint and Disciplinary Regulations. Any form of discrimination based on gender, race, religious belief, age, disability, or other grounds is strictly prohibited. The Complaint Handling Committee performs its functions effectively to address related complaints efficiently. No incidents of discrimination or harassment occurred in 2025.



We implement the Employee Management Regulations to clarify codes of conduct for disciplinary matters. Corporal punishment, mental coercion and verbal abuse of any form are strictly forbidden. Employee representatives are elected through fair voting. Suggestion boxes are installed across the premises, and contact details of management representatives, health and safety representatives and employee representatives are publicly available. These measures ensure accessible and effective grievance channels for all staff.

In terms of communication and information disclosure, the company regularly posts its social responsibility policy, compensation regulations, labor laws, minimum wage standards, employee code of conduct and health knowledge through channels such as bulletin boards and workshop notices, ensuring that all employees are aware of social responsibility standards and national legal requirements.

We strengthen supply chain management and require all suppliers to comply with human rights standards. We refuse to engage with any partners involved in human rights violations. We also pay close attention to and participate in community public welfare initiatives related to human rights, and give back to local communities through donations and volunteer activities.

We transparently disclose our human rights policies and practices to stakeholders and accept external oversight and audits, ensuring our management aligns with domestic and international best practices. The Company strictly prohibits child labor. Employment practices are regulated in compliance with the Labor Law of the People's Republic of China, the Civil Code of the People's Republic of China, the Law on the Protection of Minors of the People's Republic of China and other applicable laws. In 2025, the employee labor contract signing rate was 100%, and all contract amendments, terminations, and dissolutions were conducted in a lawful and compliant manner.

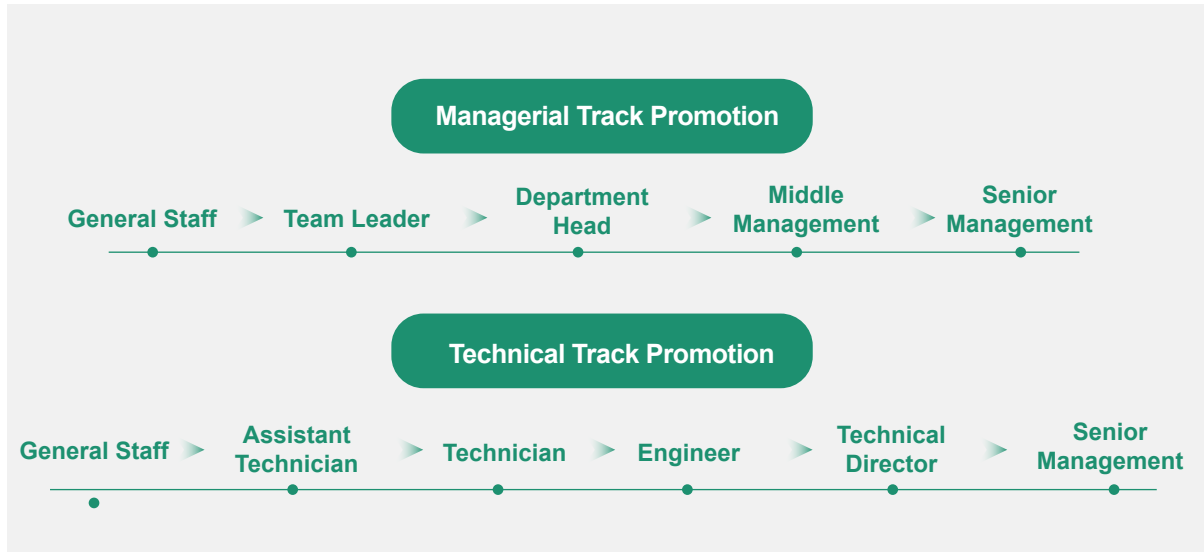
Talent Development

We implement the Training Management Policy with the goal of enhancing employees' professional skills, strengthening middle management capabilities, and improving overall operational efficiency. Through systematic talent development and workforce capacity building, we provide a solid talent foundation to support the company's high-quality growth.

In accordance with the 2025 annual training plan, the Human Resources Department delivered a full range of training programs. A total of 29 company-wide training sessions were held throughout the year, covering work safety, operational skills, emergency drills, ISO management systems, GMP systems, occupational health, business negotiation, intellectual property protection, Company Law, Contract Law and internal regulations. These initiatives have comprehensively improved employees' professional proficiency, safety awareness and emergency response capabilities.

The company provided online learning platform accounts to all employees, enabling them to select courses based on their job requirements and career development. Each employee is required to complete no fewer than five courses per month, facilitating independent learning and continuous improvement.

In terms of professional qualifications and academic advancement, the Company encouraged employees to sit for vocational qualification and professional title examinations in 2025, driving steady improvement of the talent pool. During the year, three employees were awarded the title of Senior Economist, one obtained the qualification of Level 1 Registered Fire Engineer, and three received junior professional titles in Archives Management. A total of 21 certifications were newly obtained or renewed for special operation permits, covering key roles such as Safety Administrators, Forklift Operators, Aerial Work Personnel, Welders, Chemical Automation Controllers, and Special Equipment Administrators. Regarding academic advancement, three employees obtained a bachelor's degree, two were admitted to part-time master's degree programs, one was admitted to an undergraduate program for adults, and two were admitted to associate degree programs for adults. Through systematic training, continuous learning, and diversified advancement channels, employees' professional capabilities, certification levels, and academic qualifications have significantly improved, steadily enhancing the company's core competitiveness.



Heno's Promotion Management System encourages the improvement of abilities of employees and management, fully mobilizing the initiative and enthusiasm of all employees, and creating a fair, just, and open competition mechanism within the Company. We conduct monthly performance evaluations for all employees and semi-annual promotion assessments. Employees who believe they meet the promotion criteria can apply for assessment, followed by a comprehensive evaluation by the Company. We provide training and guidance related to promotion, helping employees improve their job skills and management abilities to prepare for promotion. At the same time, we have established clear promotion channels and pathways, offering employees clear promotion routes and development opportunities. The Company conducted a human resources assessment for each position, clarifying current strengths, areas for improvement, and setting short-term and long-term career development goals.

Position Name	Position Type	Short-Term Career Goals	Long-Term Career Goals	Current Advantages	Areas for Improvement
Production Supervisor	Middle Management	Refine departmental KPI assessment mechanisms to enhance team execution	Promote cross-departmental collaboration frameworks to drive organizational transformation	Solid expertise in professional knowledge and process control	Strengthen data analytics capabilities and foster innovative thinking
Chief Accountant					
Quality Control Supervisor					
Assistant Sales Manager					
Assistant Supply Chain Manager					
Supply Chain Manager					
R&D Supervisor					
HR Supervisor					
Sales Manager					
Public Relations Supervisor					
Sales Representative					

Position Name	Position Type	Short-Term Career Goals	Long-Term Career Goals	Current Advantages	Areas for Improvement
Sales Representative	Frontline Staff	Obtain job skill certifications to enhance operational proficiency	Pursue promotion to team leader by mastering cross-functional skills	Thorough understanding of production standards with strong work ethic	Strengthen safety awareness and acquire fundamental management knowledge
Environmental Officer					
Command Center Operator					
Control Room Operator					
Driver					
Loading/Unloading Operator					
Equipment Engineer					
Environmental Supervisor					
Safety Officer					
Warehouse Keeper					
Production Manager					
Quality Manager					
Process Technician					
Patrol Officer					
Gate Guard					
Quality Assurance Specialist					
Team Leader					
Production Worker					
Boiler Operator					
Packaging Operator					
Quality Inspector					
Cashier					
Material Preparer					
Refining Technician					
R&D Technician					
Extraction Operator					
QC Analyst					
Mechanical Maintenance					
Administrative Clerk					
Chief Financial Officer (CFO)	Executive Leadership	Optimize strategic decision-making processes to enhance board operational efficiency	Drive business diversification and achieve multinational operations	Extensive strategic vision and industry network	Strengthen digital governance capabilities and improve risk control systems
Chief Security Officer (CSO)					
Labor Union Chairperson					
Deputy General Manager					
General Manager					
Chairman of the Board					

Occupational Health Management

In compliance with the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and other applicable laws and regulations, the Company keeps improving its occupational disease prevention and control system. We effectively implement more than ten dedicated rules, including the Responsibility System for Occupational Hazard Prevention, Regulations on Warning and Notification of Occupational Hazards, and Measures for Occupational Hazard Monitoring and Assessment, and have formulated comprehensive full-process plans for occupational disease prevention.

Adhering to the principle that production management entails health management, we strengthen end-to-end governance over occupational disease prevention, and steadily upgrade workplace hygiene protection and on-site working conditions. In 2025, we further promoted implementation and continuous improvement of the management system. Strict measures were enforced for occupational health risk control, hazard monitoring, maintenance of protective facilities and staff training. We have advanced standardized, regulated and routine-based occupational health management, so as to fully safeguard employees' occupational health and safety rights.

The Company implements the Management Rules for Monitoring and Assessment of Occupational Hazards. Guided by the principle of prevention first with integrated prevention and treatment, we conduct comprehensive occupational disease control to fully protect employees' occupational health and safety. We have set up a dedicated fund for the inspection and assessment of occupational hazard factors, which is centrally managed by the Finance Department and used exclusively for its designated purpose. Every year, we commission a qualified occupational health service provider to conduct a full-scale inspection. Any issues failing to meet national occupational health standards are rectified promptly, and long-term preventive measures are continuously optimized.

Additionally, we strictly enforce the Occupational Health "Three Simultaneities" Management System. For all new construction, expansion, renovation, and technical transformation projects, we conduct a standardized pre-assessment of occupational disease hazards during the feasibility study phase and submit it to the management department for review. This ensures that occupational disease prevention facilities are designed, constructed, and put into operation simultaneously with the main project, thereby preventing and controlling occupational hazards at the source.

Occupational Disease Hazard Monitoring and
Evaluation Management Policy

Three Simultaneousness Management Policy
for Occupational Health

Occupational Health and Safety Assurance

The company has established the Occupational Disease Hazard Warning and Notification Policy and the Occupational Disease Hazard Prevention Publicity and Education Training Policy to prevent, control, and eliminate occupational hazards, effectively protecting employees' health and related rights. Notice boards in prominent positions in the workshops publish relevant regulations, operating procedures, emergency response measures for occupational disease hazard accidents, and workplace hazard detection results. Based on training content and job characteristics, employees receive daily and special group training. New employees undergo occupational safety skills training and occupational health training before starting work, with assignments given only after passing the training.

◆ Safety Training

In accordance with the Specifications for the Provision of Personal Protective Equipment Part 1: General Provisions (GB 39800.1-2020) and Selection, Use, and Maintenance of Respiratory Protective Equipment (GB/T18664-2002),

employees are equipped with personal protective equipment. Each production area is equipped with 2-3 eyewash stations to rinse off chemicals accidentally splashed on employees. We've boosted occupational health protection for employees by improving production processes. Increasing equipment airtightness and shifting from intermittent to continuous automated production have reduced chemical spill risks, increased safety, and minimized negative health impacts on employees.

Prevention of Occupational Diseases

When entering into labor contracts with employees, the Company informs them of potential occupational hazards, associated impacts and protective measures for their roles, and requires employees to sign the Occupational Hazard Notification Letter.

We arrange regular physical examinations for staff working at high-risk positions, duly share medical reports and maintain individual health surveillance files. In 2025, no cases of occupational health impairment caused by workplace hazards were recorded.

Unit	Position	Work Area	Prevention Measures
Main Production Engineering Unit	Material Preparer	Material Preparation Workshop	Provision of dust masks, dust-proof clothing, safety goggles, and earplugs.
	Extraction Worker	Extraction Workshop	Provision of earplugs, acid-alkali resistant gloves, and splash protection face shields; installation of splash protection covers on flanges; emergency shower areas set up on-site; static electricity bridges installed between flanges; safety instruments such as pressure gauges and thermometers, as well as accessories like breathing valves, safety valves, and rupture disks installed on relevant equipment; use of brass tools required for on-site inspection and maintenance.
	Refinement Worker	Refinement Workshop	
Public Auxiliary Engineering Unit	Warehouse Keeper	Slag Treatment Room	Provision of dust masks, dust-proof clothing, etc.
		Class C Warehouse	Provision of dust masks, dust-proof clothing, safety goggles, etc.
		Finished Product Cold Storage	Wear specialized thick clothing when entering the cold storage.
		Storage Tank	Personnel are arranged to regularly inspect the solvent oil and sulfuric acid pipelines and address abnormalities promptly; the storage tank area is equipped with acid-alkali resistant gloves, protective face shields, chemical protective clothing, and foam fire extinguishers; storage tanks are fitted with level gauges, pressure gauges, thermometers, and safety accessories like breathing valves and safety valves, monitored in real-time by the control room.
	Auxiliary Operator	Air Pressure Chlorination Room	Provision of earplugs, etc.
		Freezing Room	Provision of earplugs, etc.
		Power Distribution Room	Provision of earplugs, anti-radiation glasses, etc.; regular health check-ups for employees.
	Boiler Operator	Boiler Room	Provision of earplugs, etc.; warning signs are installed on-site.
	Maintenance Worker	Machine Repair Workshop	Provision of earplugs, protective masks, face shields, gloves, and other protective equipment; regular health check-ups for employees.
	Environmental Operator	Environmental Equipment	Provision of earplugs, protective gloves, face shields, and other protective equipment.

Occupational Health Examination Standards

◆ Pre-employment Health Examination

New employees must complete a pre-employment health examination before starting work. They are only cleared for tasks involving occupational hazards if no contraindications are found. We also create personal health monitoring files for each employee.

◆ Periodic Occupational Health Examination During Employment

We regularly organize health check-ups for employees in high-risk positions, summarizing and filing the results annually, and promptly informing employees of their health status.

◆ Occupational Health Check-Up on Leaving Work

Employees must complete a health examination before leaving the Company. Labor contracts cannot be terminated without this final health check.

◆ Emergency Health Examination

For employees exposed or potentially exposed to acute occupational hazards, timely health checks and medical observations are organized.

Case Study

Prevention & Control of Chemical Hazards and Occupational Health Management

To effectively prevent and control occupational health risks posed by chemical hazards in the workplace, the company has formulated the Management System for Chemical Hazard Protection and Health Surveillance in accordance with laws and regulations including the Occupational Disease Prevention and Control Law and the Regulations on the Protection of Labor in Workplaces Using Toxic Substances. This system aims to minimize chemical exposure risks at the source. The company regularly conducts chemical hazard monitoring and risk assessments in the workplace, provides compliant personal protective equipment (PPE) to employees in exposed roles, and delivers targeted protective training as well as occupational health examinations.

By integrating engineering controls, administrative measures and personal protection, the Company effectively prevents occupational illnesses such as chemical poisoning and occupational dermatitis, and consistently safeguards employees' occupational health and safety.

化学有害因素防护 与健康管理



◆ Manufacturing Safety Management

The company strictly implements national manufacturing safety policies, based on the Law of the People's Republic of China on Work Safety and other regulations. We have established the All-Employee Manufacturing Safety Responsibility Policy, Manufacturing Safety Reward and Punishment Management Policy, and Safety Standardization Self-Evaluation Management Policy.



Case Study

In 2025, the Company further implemented the "12345" safety management methodology, leveraging systematic, standardized, and digital measures to build a strong line of defense for work safety and ensure the stable and orderly operation of production and business activities.

1. Enhanced Hierarchical Risk Control. Led by the Company's principal responsible persons and supported by relevant management teams, a company-wide, comprehensive safety risk identification exercise was carried out. The process covered all departments, positions, and responsible areas with full-scope inspection. Using the LS risk matrix method, which considers both the severity of potential consequences and the probability of occurrence, risks were scientifically classified into four levels marked by red, orange, yellow, and blue. In 2025, a total of 1,124 safety risks were identified, all of which were categorized by level and type, with targeted control measures implemented to achieve risk prevention at the source.

2. Deepened hazard identification and rectification. Based on the latest work safety laws, regulations, and technical standards, the Company compiled the Hazard Inspection Reference Manual, covering 17 key areas including fire safety, hazardous chemicals management, electrical safety, special operations, and contractor management. This manual provides a unified basis for routine inspections. Throughout the year, the Safety Committee coordinated 62 safety inspections across various departments, identifying and rectifying 316 hazards, all of which have been fully addressed.

3. Improved Incentive Mechanism for Hazard Reporting. In compliance with national requirements on rewards for internal hazard reporting, the Company formulated and implemented the Incentive Scheme for Reporting Potential Work Safety Hazards to encourage proactive discovery and reporting by employees. In 2025, staff across all positions submitted 107 hazard reports, and all eligible reporters received corresponding rewards. All reported hazards went through rectification, acceptance and closure via the digital factory system, effectively motivating all employees to participate in safety management.

Advanced digital safety empowerment. Digital tools were deployed to elevate safety management efficiency. Real-time safety dashboards were used to dynamically display core safety data. The company further optimized the digital factory platform and fully implemented its functional modules for training, daily patrols, hazard rectification and shift handover, enabling online management of rules and procedures with traceable execution. The command center collaborated with all departments to enrich platform data and optimize application scenarios. Digital transformation has boosted the quality and efficiency of safety management, laying a solid safety foundation for the Company's high-quality development.

The Chairman is fully responsible for manufacturing safety and oversees all related work. The General Manager assists in implementing these safety duties. Each role has set up relevant safety responsibility systems and fulfills its obligations.



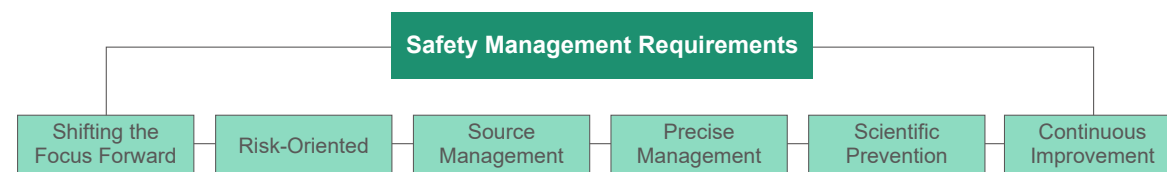
We adhere to strict process management, effectively monitoring every aspect of production, procurement, supply, storage, and sales. We strengthen safety risk level control and hazard identification and management, continuously improving the work environment.



We prioritize the safety of our chemical operations, adhering to national laws and regulations. Our approach focuses on prevention and combines proactive and reactive measures.



We continuously aim to enhance the intelligent management of our manufacturing processes.



◆ Building the Risk Level Control System

Formulating the Dual Prevention Mechanism Workflow

Defining risk identification methods, risk assessment methods, and requirements for the formulation and implementation of risk control measures.

Identifying Risks

Based on the Company's production characteristics and workflows, comprehensively and thoroughly identifying potential accident risk factors.

Risk Assessment

Organized by the Safety Management Department, using the risk assessment methods specified in the Risk Assessment Guidelines.

Determining Risk Levels

Classifying identified risk factors into five levels based on risk assessment results and actual conditions of the unit.

Defining Control Measures

Defining control levels for each risk factor based on its category and level, and implementing specific control measures.

Risk Warning

Publishing the main risk factors, risk categories, risk levels, control measures, and emergency measures at relevant positions.

◆ Hazard Identification and Management System

Prepare the "Accident Hazard Investigation and Control System"

Determine the procedures for handling accident hazard investigation.

Formulate Standards and Lists for Hazard Identification and Management

Develop standards and lists for identifying and managing hazards at each risk area, clarify the scope and requirements, and establish a management mechanism.

Establish Comprehensive Hazard Identification and Management Records

Records include system specifications, responsibility teams, and reward and punishment systems for hazard identification and management.

◆ Safety Risk Control Measures

Preparation Workshop

- Install thermometers to monitor material temperatures.
- Use automated control.
- Strictly follow operational procedures to control material ratios.
- Conduct regular inspections.
- Strengthen employee training to familiarize them with emergency measures.

Extraction Workshop

- Wear protective equipment.
- Strictly follow operational procedures.
- Strengthen employee training to ensure they are familiar with emergency procedures.
- Install toxic gas detection equipment, set up an emergency supply depot, provide protective clothing, and respond promptly to nicotine leaks.
- Strictly follow loading and unloading procedures.
- Conduct gas detection before maintenance, replace internal air, and ensure continuous fresh air supply to the equipment.

Refinement Workshop

- Clean equipment before maintenance and proceed only after passing inspection.
- Prohibit turning on explosion-proof electrical equipment when solvent vapor concentrations exceed a certain level. Regularly inspect the condition of pumps and pipeline valves.
- Strictly follow inspection and maintenance procedures, as well as special operation management regulations.

Filling Workshop

- Operation Training: Provide training to operators, ensuring they are familiar with equipment operation, safety procedures, and emergency handling methods. Remind them of potential risks.
- Wear personal protective equipment, such as masks and gloves.

Boiler Room

- Regular Inspections and Maintenance: Regularly inspect components and equipment of the fuel system, including pipes, storage equipment, valves, and connectors.
- Promptly repair or replace faulty components.
- Regularly check for fuel system leaks and take necessary repair or replacement measures.
- Regularly inspect boiler water level gauges and pressure gauges to ensure reliability.

Environmental Workshop

- Set up protective barriers; use long poles for cleaning.
- Post warning signs on-site; equip with life jackets and life ropes.
- Prohibit working beyond barriers; wear safety harnesses.
- Always have at least two people for cleaning; strictly forbid climbing over barriers.
- Ensure personal protection: wear work clothes, safety shoes, helmets, gas masks, protective gloves, safety harnesses, and life jackets.
- Emergency Measures: If someone is injured, immediately stop work, move the injured to a safe area, provide temporary first aid, and report to the Company.

Machine Repair Workshop

- Install outdoor fans for cooling, use sunshades and parasols for protection.
- Reduce outdoor work time, encourage rest breaks at work, and ensure timely hydration with water and essential body salts to prevent heatstroke.
- Regularly communicate operational precautions for high temperatures and first aid for heatstroke among staff.
- Ensure personal protection: helmets, work clothes, safety shoes, sunshades, and heatstroke prevention medicines.
- Emergency Measures: In cases of heatstroke, promptly move the affected person to a cool, ventilated area, administer oral rehydration solution as needed, provide on-site emergency care, and if severe, perform cardiopulmonary resuscitation (CPR) and quickly transport them to a hospital.

Loading and Unloading Workshop

- Inspect incoming vehicles for flame arresters.
- Thoroughly inspect incoming vehicles, then promptly report and register them.

Storage Tank Area

- Strictly implement the visitor management system. Prohibit carrying open flames and electronic devices into the factory area. Provide safety instructions to visitors and arrange for escorts.

Research and Development Building

- Regularly inspect the integrity of containers, piping systems, and connections. Perform necessary maintenance and repairs.
- Store nitrogen gas cylinders in designated storage areas away from flammable materials and combustible gases. Regularly inspect nitrogen cylinders to ensure they are intact, leak-free, and undamaged.
- Set up emergency showers.
- Train staff to ensure they are familiar with equipment operation protocols.

Main Building

- Regularly inspect gas pipelines.
- Conduct emergency drills for gas leaks.

Hazard Identification

The Company has established a work safety hazard inspection mechanism covering daily, monthly, seasonal, and holiday checks. Hazard control plans are strictly implemented in line with the “five commitments” – responsibility, measures, funds, timeline, and contingency plan – to ensure hazards are identified and addressed promptly. The Safety Management Department conducts company-wide safety inspections weekly. Monthly safety inspections are led by the Chairman. For identified workplace safety hazards, the department issues rectification notices and verifies completion in the subsequent inspection cycle.

Dual Verification for Hazardous Chemical Vehicles to Strengthen Factory Access Control

In 2025, all vehicles transporting high-risk materials such as No.6 solvent oil and concentrated sulfuric acid were subject to dual safety inspections prior to entry. Inspectors focused on vehicle condition, static conduction devices, flame arresters, legibility of warning signs and drivers' qualifications, eliminating potential safety risks at the source.

Full-time Supervision During Unloading to Enhance On-site Control

A two-person on-duty system is strictly enforced during auxiliary material unloading. Static discharge equipment, emergency response gear and fire-fighting facilities are fully available. A dedicated emergency response plan was improved, and unscheduled drills were conducted to enhance emergency capabilities, ensuring safety and stability across the site.

Improve Responsibility System and Deepen Hazard Inspection & Rectification

Throughout the year, 126 safety responsibility agreements were signed for key positions. Two rounds of full-coverage risk identification and 40 special safety inspections were carried out. A total of 240 hazards were identified and rectified, 40 formal rectification notices issued, achieving a 100% hazard rectification rate and complete closed-loop management.

Standardize Safety Expense Management and Ensure Effective Investment

In 2025, the Company made full-year provisions for workplace safety expenditures in accordance with applicable regulations and maintained adequate safety funding through a combination of current-year allocations and carried-forward balances. Priority was given to equipment upgrades and safety enhancement projects, with continued investment in safety infrastructure to strengthen intrinsic safety performance. The remaining balance at year-end has been earmarked for major safety risk remediation projects scheduled for 2026. The Company maintains strict oversight of safety-related expenditures through dedicated funding, designated use, and closed-loop management, ensuring efficient allocation of resources and providing sustained financial support for long-term safety management.

Remarkable Safety Performance and Comprehensive Employee Protection

In 2025, the Company maintained a sound work safety record, with zero work-related injuries recorded for the whole year and a sharp year-on-year drop in lost working hours due to injuries. The Company fully implements the work-related injury insurance system, and improves mechanisms for injury prevention, on-site emergency response and employee care. We provide proper follow-up services, handling and compensation for injured employees, resulting in a 100% employee satisfaction rate.

Work Safety Emergency Management

In compliance with the Regulations on Emergency Response to Work Safety Incidents and other applicable laws and regulations, the Company revised and updated its Work Safety Emergency Response Plan, which was officially filed with Enshi Emergency Management Bureau on October 5, 2025. Based on on-site conditions, incident nature, severity, controllability and impact scope, as well as incident classification, hazard level, staff assessment and on-site judgment, a three-tier emergency response system was scientifically formulated: Tier 1 and Tier 2 incidents are centrally managed and responded to by the Company in accordance with the master emergency plan. Tier 3 incidents are handled promptly by the affected department following on-site response protocols. The framework ensures accurate, efficient and standardized emergency operations, and comprehensively strengthens the Company's overall emergency response and risk prevention capabilities.

Equity, Inclusion and Women's Empowerment

The Company is committed to providing all employees with a safe and healthy work environment that fosters mutual cooperation and respect, as implemented through the Prevention and Management Policy for Workplace Sexual Harassment, Violence and Discrimination.

We have established employee grievance channels to address concerns such as workplace safety hazards, health risks, inadequate or non-compliant labor protection facilities, excessive overtime, unreasonable rest/leave arrangements, and disputes over compensation/benefits, all managed under the Employee Grievance Management Policy.

We are committed to gender equality, respecting and protecting women's rights. We ensure fair compensation for female employees and safeguard their rights to maternity leave, prenatal check-up leave, and breastfeeding leave, granting 158 days of maternity leave. Additionally, employees receive annual leave as mandated by national laws.

To safeguard the legitimate and special rights of female employees, prevent and reduce occupational injuries and illnesses among female workers, and in compliance with relevant laws and regulations including the Labor Law of the People's Republic of China and the Special Provisions on Labor Protection for Female Employees, the Company has established the Workplace Labor Protection Management Policy for Female Employees. This system is tailored to the Company's specific operational context to create a safe, healthy, and harmonious work environment, ensure proper respect and protection for female employees in the workplace, and promote their physical and mental well-being.

Case Study

In June 2025, the Company organized a team-building activity at Longgan Lake in Baiyangping, Enshi. Through collaborative and trust-building exercises, employees demonstrated a positive atmosphere of active cooperation and mutual respect. The Company is consistently committed to creating an equal, inclusive, safe, and healthy work environment. By strengthening institutional frameworks and humanistic care, we promote understanding and trust among employees, embodying a corporate culture of respect, mutual support, and integration. This enables every employee to grow together in an open and friendly atmosphere.



Case Study

In September 2025, the Company held a fun sports meet. Male and female employees from various positions participated and supported one another, embodying our core values of mutual respect and teamwork, as well as the strong cohesion of the corporate family culture "Harmony & Unity".



Indicators

As of December 2025, the Company had a total of 120 employees, including 108 permanent staff and 12 dispatched workers, representing a 3% year-on-year increase and steady workforce expansion. In 2025, the Company carried out standardized talent recruitment and deployment, hiring 18 employees throughout the year. The employee turnover rate was kept at 5%, with no attrition in key positions, ensuring a strong core talent pool. Adhering to equal employment, diversity and inclusion, the Company protects the employment rights of vulnerable and marginalized groups. Such groups make up 53.0% of all employees and 50% of senior management, reflecting our commitment to equal opportunities and fair career progression. The workforce boasts a balanced age profile and sound talent pipelines. Smooth internal communication and a pleasant workplace culture have further strengthened team cohesion and employee engagement.

Employee Benefits

The Company prioritizes employee rights and welfare, and strives to create a comfortable, safe and supportive workplace. We deliver thoughtful care to foster employees' sense of belonging and respect, motivate engagement and innovation, and strengthen team cohesion.

We fully comply with statutory requirements and provide all employees with complete social insurance and housing fund benefits. Additionally, we have built a diversified protection system by purchasing work safety liability insurance, employer's liability insurance and comprehensive occupational insurance, forming a multi-layered safety and health safety net for all staff.

Employee Structure

Indicator		By gender	
Age Group	Number	Gender	Number
Under 20	0	Male	108
20~29	30	Female	12
39~49	55	Total	120
40~49	21		
50~59	14		
60+	0		
Total	120		

Comprehensive Benefits for a Happy Work Atmosphere

Dining Benefits

The company has an in-house cafeteria providing four meals per day: breakfast, lunch, dinner, and a late-night snack.

Dining Activities and Theme Days: We regularly organize dining activities and theme days, such as employee birthday parties and healthy eating seminars, to enhance employee engagement and social interaction.

Providing Healthy Meal Options: We ensure employees receive healthy, balanced meals at the company cafeteria, including fresh vegetables and whole grains, to meet their nutritional needs.

Special Dietary Needs Support: We address employees' special dietary requirements by offering options such as vegetarian and gluten-free foods, ensuring everyone can enjoy suitable dining benefits.

Accommodation Benefits

We provide free, fully-equipped accommodation for employees. Security personnel and surveillance systems are in place to ensure the safety of the accommodation area.

We have established waste sorting stations and set up 24-hour emergency contacts to handle situations like medical aid and repairs. Additionally, nap pods are installed in the office building to provide temporary rest areas for employees.

Retirement Benefits

We provide retirees with souvenirs and hold retirement ceremonies. We award pensions or retirement benefits based on their years of service and contributions.

We make 1-2 visits to retirees each year, inviting them to join company events to boost their sense of belonging and pride.

Staff Union Benefits

The Staff Union organizes birthday parties and gives employees birthday cards, and occasionally provides groceries and heatstroke prevention supplies.

Holiday Benefits

Paid Leave: In addition to national public holidays, we offer paid annual leave, allowing employees to fully rest and relax.

Holiday Gifts: We distribute gifts before major holidays, including Spring Festival, Women's Day, and Dragon Boat Festival.



Salary Guarantee

The Company continuously optimizes its compensation and benefits system based on the principle of fair distribution by work, offering reasonable and competitive salary packages. We standardize working hour management and arrange work and leave properly to safeguard employees' right to adequate rest.

The company's salary structure covers basic salary, position salary, tenure allowance, allowances for academic background, professional titles and professional skills, overtime pay, performance pay and year-end bonuses. We fully implement equal pay for equal work. Male and female employees on the same role receive identical starting salaries at a ratio of 1:1. In 2025, the average pay of female employees was 28% higher than that of male counterparts. Our standard starting salary reached 7.2 times the local minimum wage in Enshi, highlighting strong market competitiveness. The ratio between the highest annual salary and the company-wide median annual salary was 3.95, representing a sound and well-regulated salary distribution structure.



Case Study

The Company has established and publicly disclosed its Compensation Management Policy, which legally guarantees overtime pay for employees under the following structure:

- Weekday Overtime:**
 $(\text{Base Salary} \div 21.75 \div 8) \times 1.5 \times \text{Overtime Hours}$
- Weekend Overtime:**
 $(\text{Base Salary} \div 21.75 \div 8) \times 2 \times \text{Overtime Hours}$
- Public Holiday Overtime:**
 $(\text{Base Salary} \div 21.75 \div 8) \times 3 \times \text{Overtime Hours}$

The policy mandates regular salary reviews based on inflation rates, cost-of-living adjustments, industry benchmarking data and local economic conditions.

Employee Care and Well-being

We provide robust support for employees in need, addressing urgent issues promptly. We organize fundraising events for those facing difficulties and offer allowances for marriage, childbirth, illness, and bereavement. Additionally, we make occasional visits to the families of workshop employees.

The company prioritizes employees' physical and mental well-being by organizing comprehensive health check-ups and hosting two post-examination health lectures conducted by medical professionals. These lectures covered essential topics including psychological counseling techniques and balanced nutrition planning. We also offer a library, gym, and counseling rooms for employees to use whenever they need.

Comprehensive Benefits for a Happy Work Environment.

◆ Comprehensive Indoor Facilities



To ensure all employees enjoy convenient working and living experience in the company, accessible facilities are installed:



The roadway provides direct access to both the main building and the research laboratory building.



The elevator outside the Command Center.



The elevator provides direct access to office areas on the 2nd and 3rd floors.

The Safety Management Department and Production Department led a cross-functional identification and assessment of environmental aspects and hazards to pinpoint critical risks, with implemented control measures achieving zero major stakeholder complaints, zero environmental pollution incidents, zero severe safety accidents, and zero occupational injuries.

Democratic Management

In 2025, The company launched an employee satisfaction survey. Of 115 distributed questionnaires, 113 were valid, achieving a 98% response rate across all on-site staff. The survey covered management systems, compensation & benefits, career paths, working hours and leave policies, while collecting employees' views and proposals for corporate development, ensuring that their voices were fully heard.

96% of employees highly recognized the management, operations and salary and were optimistic about the company's future. The remaining 4% noted challenges in current roles, mainly attributed to insufficient professional expertise and work experience. This feedback reflects employees' clear self-awareness and a healthy sense of urgency for growth, along with a proactive desire to address skill gaps through systematic training to better meet job requirements. It also demonstrates their willingness to grow and progress together with the Company. No dissatisfaction was reported, with overall satisfaction at an excellent level.

To address employees' demand for self-improvement, the company rolled out Individual Development Plans (IDPs) tailored for every staff member. The average annual training hours per employee reached 32 hours. Systematic training drives career development, delivering mutual empowerment and shared growth for individuals and the organization.

The company prioritizes internal information dissemination and two-way communication. We maintain regular engagement to collect and respond to employee feedback, building an efficient communication platform connecting the workforce and management. Major decisions on business operations and institutional adjustments are promptly communicated and disclosed to all staff, enhancing transparency in operations, finance, corporate strategies and decision-making processes. We foster an open and democratic workplace culture, encouraging internal discussions and active participation in work planning. Joint efforts are pooled to build harmonious and stable labor relations.

UPHOLDING SHARED BENEFITS & WIN-WIN CORPORATE SOCIAL RESPONSIBILITY >>>

Response Topics

Rural Revitalization, Social Contribution,
Innovation-Driven Development, Tech Ethics, Products & Services
Safety & Quality, Data Security and Customer Privacy Protection



Governance

The Company has established a comprehensive quality management system (QMS) grounded in the Seven Quality Management Principles, implementing a process-driven methodology with organization-wide participation. Under the leadership of the General Manager, a dedicated QMS Management Representative oversees end-to-end product quality accountability across procurement, production, and sales operations. The Quality Control Department conducts rigorous sampling inspections of both in-process and finished goods quality. This system fully incorporates the Plan-Do-Check-Act (PDCA) cycle across all processes and management tiers, ensuring strict process controls align with the Company's quality policy and strategic objectives.

The Company oversees the entire production process, clearly defining the responsibilities of each department. This ensures compliance with manufacturing standards, and maintains control over equipment capacity and operational status, meeting quality standards and fulfilling customer orders.

Strategy

The company is proactively implementing measures to advance toward greater compliance, health consciousness, and environmental sustainability, demonstrating a diversified and health-oriented development trajectory.

Responsible Marketing

The company remains consumer-centric, striving to improve marketing quality and service levels. Our marketing activities are conducted objectively and truthfully, without exaggeration, risk concealment, or excessive marketing.

Quality Policy

Quality-Oriented, Compliance-First, Customer-Focused, Green Development, Continuous Improvement

While providing high-quality products and service guarantees, the Company is committed to standardized management and process quality control in all aspects. To this end, the following policy is formulated to guide the operation of the Company's quality management system and continuously pursue excellent performance. The meaning of the Company's quality policy is as follows:

◆ Quality-Oriented

Centering on the high purity, stability and safety of nicotine products, we strictly control raw material procurement, synthesis processes, purification flows and finished product inspection. By implementing GMP and ISO standards, we ensure products comply with international pharmacopoeias (such as USP, EP) or customer-specific requirements, eliminating excessive impurities or batch fluctuations, and providing reliable raw materials for pharmaceutical, e-cigarette and other industries.

◆ Compliance-First

The Company strictly adheres to laws and regulations, industry standards, and internal rules and regulations to ensure that all production and operational activities, including production qualifications, safety supervision, data traceability management, and exports, are legal and compliant, thereby mitigating risks.

We established a compliance management system, and conduct regular internal audits and third-party certifications. Through systematic management, the Company transformed complex regulatory constraints into core corporate competitiveness, ensuring the Company achieves safe, stable and sustainable operations in highly regulated industries.

◆ Customer-Focused

We continuously enhance customer satisfaction through market research, personalized services, and a rapid response mechanism. We pay attention to customer feedback and transform it into motivation for improvement, exceeding customer expectations.

The Company has a complete service team that centers on the customers, providing comprehensive optimization solutions and high-quality technical support, ensuring every customer is satisfied with the best products and services.

◆ Green Development

The company practices a green, low-carbon, and circular development philosophy in its production and operations. Based on environmental management compliance, it actively promotes technological innovation and optimization of management processes. Through measures such as upgrading equipment and energy-saving technologies, it aims to achieve a win-win situation for both environmental and economic benefits.

We integrate environmental, social and governance goals through ESG certification and practices, promoting the Company's shift from single environmental protection behaviors to all-round sustainable development. We aim to achieve green transformation at a higher dimension, balance economic, social and ecological values, and realize the synergistic growth of economic, social and ecological benefits. Ultimately, we strive to become a benchmark with both leadership and responsibility in the global supply chain.

◆ Continuous Improvement

The Company continuously optimizes product processes to reduce production costs and improve product quality; minimizes pollutant emissions in the production process and strengthens environmental protection governance; and enhances work safety management to mitigate safety risks. Through the continuous application of internal audits, management reviews, and the PDCA cycle, the Company continuously optimizes and improves various management systems, adapts to market changes and customer requirements, enhances product and service quality, strengthens competitiveness, and achieves sustainable development.

Impact, Risk and Opportunity Management

In terms of product quality: We strengthen the stability and consistency between product batches, and continuously enhance quality control management within the company.

In terms of service and product delivery: We respond quickly to customer feedback, ensure reliable delivery, and maintain a proactive cooperative attitude. In the future, we need to continuously optimize details, strengthen communication and cooperation in new technologies and nicotine salts, and avoid delivering goods on weekends.

Responsible Marketing

The Company enforces the Sales Management Rules to standardize marketing services and uphold the principles of integrity in business operations. All sales personnel are required to abide by professional ethics throughout the sales process, with a zero-tolerance policy against irregularities including false advertising, customer deception and product adulteration. The Company attaches great importance to customer information and privacy protection. All sales staff have signed confidentiality agreements to strictly comply with commercial confidentiality rules and prevent any leakage of customer data. No marketing violations or customer privacy breaches occurred during the year, maintaining sound and orderly market operations. As a professional manufacturer of natural nicotine, the Company fully recognizes the significance of the tobacco monopoly system in regulating market order, protecting consumer rights and interests, and safeguarding national fiscal revenue. We consistently operate in compliance with laws and prioritize product quality, conducting all business activities in strict accordance with the Tobacco Monopoly Law of the People's Republic of China.

The Company maintains a valid Drug Manufacturing License and continues to recruit professionals for pharmaceutical production and quality management. Leveraging R&D resources and combining on-site production practices, we have developed comprehensive technical documents covering quality standards, testing methods, operational procedures and manufacturing protocols for raw and auxiliary materials, packaging materials, semi-finished and finished products. We have optimized quality management procedures in line with the existing organizational structure and management model, covering the full business chain including R&D, procurement, warehousing, equipment management, production, quality control and sales. In strict adherence to GMP requirements, we have established 763 management and operational documents, 117 technical documents for process standards and testing methods, and compiled 84 equipment files as well as files for 13 qualified suppliers. We completed 27 equipment and facility validations, 2 testing method transfers, and 2 validations for production processes, cleaning procedures and shelf life. Meanwhile, we strengthened workforce competency through 42 in-house GMP training sessions and 6 external professional training programs throughout the year.

In 2025, the Company continues to maintain ISO 9001 certification for its quality management system, ensuring standardized and well-regulated product quality management.

Quality Control

The company has established the Incoming Material Inspection Policy, Sampling Management Policy, and Acceptance Management Policy to comprehensively control and manage product quality throughout its lifecycle. Quality control is integrated into all aspects of production, operation, and service, from raw materials, auxiliary materials, semi-finished products, to finished products, ensuring quality at every stage. We ensure standardization in the R&D phase, raw material specifications, and production processes.

The Company's testing center received CNAS laboratory accreditation, becoming the third company in the country to obtain CNAS certification for pure nicotine.

Raw Material Inspection

The raw material for our products is tobacco dust. We mainly test the moisture content and nicotine content of the raw materials.

Auxiliary Material Inspection

The auxiliary materials for our products are quicklime and sodium hydroxide.

Semi-Finished Product Inspection

Nicotine content is measured.¹

Sampling Inspection

During extraction, nicotine purity is measured. Only when the purity reaches 99.9% is the nicotine collected in the tank.

Finished Product Inspection

Nicotine content is measured. According to the National Standard for E-Cigarettes (GB41700-2022, 4.2.2.1), the purity of nicotine extracted from e-cigarette products must be no less than 99%. The company's nicotine products maintain a purity level of 99.9%, much higher than the national standard. The Quality Control Department issues quality reports based on the finished products and sends them to customers together with the products. In 2025, the Company did not experience any violations related to product health and safety impacts.

The Company has formulated the Non-conforming Product Control Procedure to continuously reduce the non-conformance rate of products and improve customer satisfaction: In case of non-conformity found in finished product inspection, the inspector shall isolate and label the non-conforming products (using areas, labels, signboards, etc.), and record them in the Inspection Record Form.

The inspector shall issue a Non-conforming Product Review Form, send the non-conforming products to the quality control supervisor for confirmation and signature. After confirming the authenticity of the non-conformity, relevant information shall be notified to the production team leader. The production team leader shall reply with a report on the analysis of the non-conformity cause and improvement measures within three working days.

1. The management process of non-conforming products returned by customers:

Returned products are transported back to the warehouse by hazardous chemical vehicles. Upon receipt, warehouse personnel shall submit them to the Quality Control Department.

Inspectors shall confirm and analyze the non-conforming products, and the responsible department shall propose corrective and preventive measures, which shall be provided to customers for reference when required.

If the inspection is qualified, an inspection report shall be issued, and the test results shall be notified to the Sales Department, which shall re-confirm with the customer.

If the inspection is unqualified, an inspection report shall be issued with handling opinions on the returned products noted, and relevant departments shall be notified to take actions.

2. For the management process of non-conforming products provided by customers:

When non-conformity occurs in customer-supplied products, feedback shall be given to the Sales Department, which shall communicate with the customer for handling.

3. For the management process of non-conforming products due to performance issues:

The non-conforming products shall be controlled in accordance with the non-conforming product management regulations of the respective stages where the non-conformity occurs.

Product Marking

Heno has formulated and implemented the Labeling and Traceability Management Control Procedure, which is managed in accordance with the following processes:

1. Finished Product Traceability

After the product undergoes the final process and is packaged, the supervisor of each production site shall label the product, indicating the product name, model, specification, batch number, etc.

The outer packaging box of the finished product shall indicate the product name, specification, model, production batch number, quantity, etc.

The warehouse keeper is responsible for making corresponding labels based on the qualification status of incoming and outgoing products.

2. Traceability Methods

Product traceability is based on the production batch number to ensure that finished products can be traced back to the inspection status of finished products, material usage status, and material quality status.

The warehouse must properly file and save the recorded information of finished products that have been stored in or shipped out of the warehouse to ensure the traceability of products after delivery.

Finished product inspection is conducted by production batch. After passing the inspection, the finished product inspector shall fill in the production batch number and other information in the inspection records to ensure the traceability of finished product inspection.

When signing contracts with customers, the Company provides a safety notice detailing product hazards, required precautions, preventive measures, as well as safety requirements for handling, use, transportation, and storage. No violations related to product/service information or labelling occurred in 2025.

Innovation, Research and Development

In 2025, driven by technological innovation, the Company prioritizes R&D of new technologies, processes and products, and further improves the industry-university-research collaborative innovation system to boost high-quality development of local science, research and industries.

In terms of process technology upgrades, the Company focused on enhancing product quality by conducting targeted research on impurity removal process parameters for front fractions in the refining stage. By optimizing the extraction process, nicotine purity was increased to 99.9%, marking a significant improvement in product quality.

For university-enterprise cooperation, the Company has built diversified innovation platforms. We established the Joint Innovation Center for Nicotine-based Pharmaceutical Products with Hubei University of Technology, facilitating in-depth integration of academic disciplines and industrial development for mutual benefits. We also set up an Academician & Expert Workstation with the School of Chemistry and Environmental Engineering, Hubei Minzu University, to jointly develop technologies for heavy metal control in bio-organic fertilizers. These efforts advance green and sustainable regional growth, accelerate commercialization of research outcomes and strengthen technological and talent support.

In terms of joint talent cultivation, we signed an internship agreement for Master of Translation students with the School of Foreign Languages, Hubei Minzu University. The program helps postgraduates build practical capabilities and professional expertise, further integrates industry, academia and research, and contributes to local economic development.

List of Joint R&D Platforms

Platform Name	Approval Year
Hubei Provincial Joint Innovation Center for Nicotine Pharmaceutical Products	2020
Hubei Provincial Expert Workstation	2022
Hubei Provincial Intellectual Property Protection Workstation	2023
Wuhan University of Technology - Heno Bio Nicotine New Materials Research Center	2024
Hubei Provincial Science and Technology Commissioner Workstation	2024

List of R&D Projects

Undertaken Research Project	Progress in 2025
Development of New Nicotine Materials - Natural Gas Phase Rust Inhibitor	Passed 7 cycles of product testing (qualified); initiated 9 cycles (excellent) testing
Development of Solid Nicotine Salt Products	Developed 6 products in single salt and compound salt series
Development and Application of New Flavors and Fragrances	Established a flavor product series layout
API Process Development Project	Transferred to the API project team; batch production completed
Study on the Effects of Natural Nicotine on Cellular Health	Contract finalized; research to commence in February 2025
Research on Selenium and Cadmium in Soil Fertilizers	Completed in 2025
Key Technology Development and Application of Levocetirizine	Completed in 2025

Intellectual Property Management

The Company has fully implemented its Intellectual Property (IP) Management System to strengthen IP protection, encourage innovation and invention, and standardize end-to-end IP management. An Intellectual Property Steering Committee, comprising the Chairman, General Manager, Deputy General Managers, and heads of relevant departments, oversees the Company's IP strategy and governance. Chaired by the Chairman, the Committee is responsible for strategic planning and top-level management of intellectual property. An IP Management Office is set up under the R&D Department, with the Deputy General Manager for R&D concurrently acting as Office Director to administer daily IP operations, application, maintenance and related affairs.

The Company continues to advance innovation in the pharmaceutical sector. The research project on synthetic L-nicotine was launched in March 2025. Key lab-scale process technologies for projects including "Flavors and Fragrances" were successfully developed in 2024, laying a solid foundation for subsequent industrialization. To date, the Company holds a total of 100 IP assets, with 2 new invention patent applications filed in 2025, reflecting steady growth in innovation outputs.

Supported by a robust management framework and strong innovation capabilities, the Company obtained Intellectual Property Management System Certification in October 2024. In November 2024, and was recognized as a National Intellectual Property Advantage Enterprise. In January 2025, the Company was accredited as a Hubei Provincial Intellectual Property Protection Workstation, followed by designation as an Enshi Prefecture Intellectual Property Protection Workstation in November 2025. These honors recognize the Company's standardized IP development and exemplary leadership in this field.

Smart Management

Upholding the principles of "safety, environmental protection, green development," the Company has leveraged big data, artificial intelligence, and 5G internet technologies to build a smart factory control platform. This platform enables data interaction among personnel, equipment, and information systems, while implementing full-process closed-loop management for raw material storage, production, packaging, and sales, ensuring traceability, trackability, and controllability.

Integrated Emergency Response Platform

The platform follows a model of "intelligent pre-event perception and warning, real-time detection and tracking during events, and comprehensive post-event analysis and handling."

Comprehensive Map	The map displays relevant information about government units and enterprises within 500 meters of the Baiyangping Chemical Plant Park, clearly presenting the internal structure of the buildings.
Environmental Map	The environmental map interfaces with real-time monitoring data for water quality, geology, air, and hazardous waste. Water quality monitoring includes data on chemical oxygen demand, ammonia nitrogen, flow, and pH values, while air data includes humidity, temperature, and PM2.5 levels.
Safety Map	The safety map primarily covers four modules: major hazard sources, dual prevention mechanisms, special operations management, and fire protection facilities management.

Access Management

The factory is managed according to closed-off protocols, mainly through video surveillance and access control points to monitor and track personnel and vehicles, ensuring safety.

Emergency Map

The emergency map is based on the principles of "prevention beforehand, rescue during the event, and investigation afterwards," establishing a comprehensive emergency rescue system. In case of emergencies, it ensures prompt response.

Digital Factory Control Platform

The platform ensures safety management of the production process. The platform consists of four application modules, including the following:



Real-Time Monitoring and Alarm Module

Using Safety Instrumented System (ISI), Distributed Control System (DCS), Gas Detection System (GDS), and other systems, 523 sensors perform real-time monitoring of liquids and gases in key workshops and warehouses. Monitoring data is integrated in real time with the production area and emergency response center. When high or low alarms occur, real-time audio-visual alarms ensure that the production process remains controllable.



Dual Prevention Mechanism Module

The factory is managed with graded risk control, marked in red, orange, yellow, and blue.



Personnel and Vehicle Localization Module

Personnel and vehicles in the production area are equipped with trackers that display real-time positions on a map. Different departments and roles are distinguished by colors and icons, allowing dynamic monitoring of personnel and vehicle movements at any time.



Operational Safety Module

The system uses explosion-proof surveillance hemispheres for real-time monitoring of operations and gas detection equipment to monitor combustible and toxic gas concentrations in work areas. Data is transmitted in real time to the emergency response center via base stations, ensuring the safety of special operations.



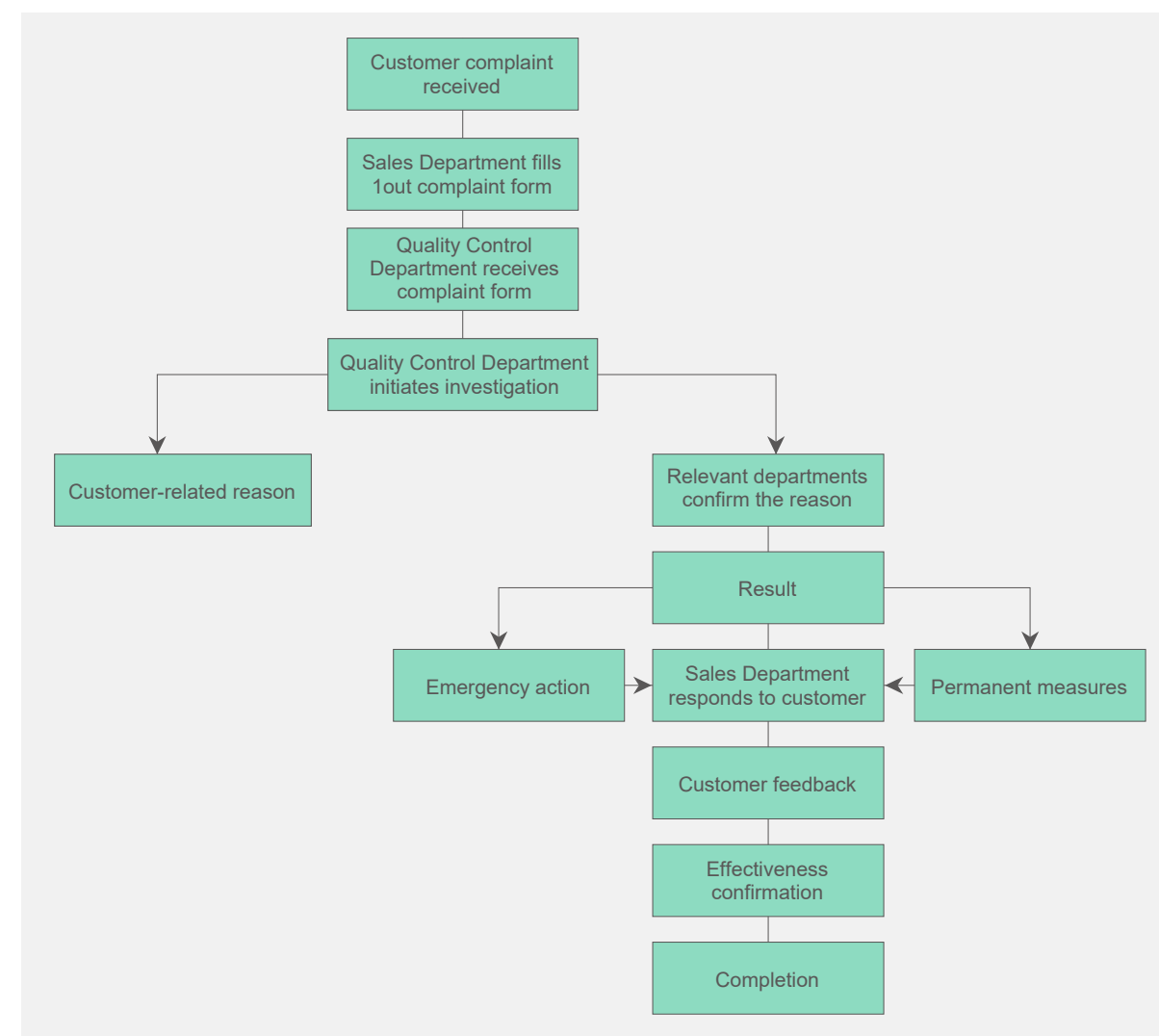
Intelligent Monitoring System

The company's monitoring system ensures 24/7 real-time surveillance of the entire factory. Video signals from raw material storage and production areas are actively connected to the dedicated monitoring computers of the tobacco regulatory authorities. The company's surveillance footage is linked with the Tobacco Monopoly Bureau, achieving full-process management of raw material storage, production, packaging, and sales, effectively preventing unauthorized product flow.

Customer Complaint Management

To ensure timely responses and resolutions to customer complaints, we established the Customer Complaint Management Policy, outlining departmental responsibilities and the complaint handling process. This promotes product quality improvements and enhances after-sales service. The company categorizes customer complaints based on their causes into general complaints and serious complaints. General complaints must be resolved within one week, while serious complaints must be resolved within two weeks.

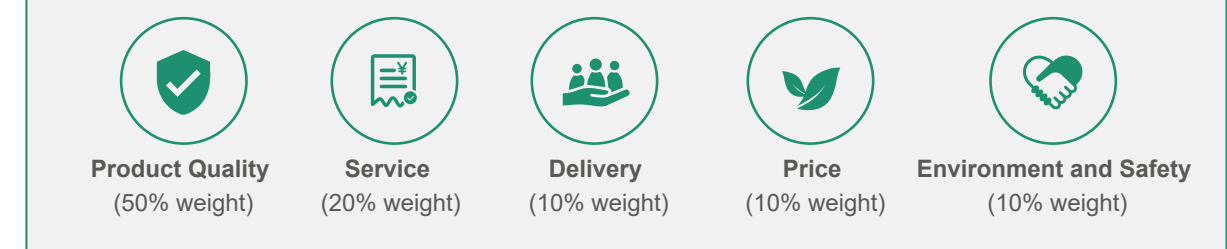
Customer Complaint Handling System



Customer Satisfaction

To ensure our product quality, delivery times, and service levels meet customer requirements, and to promptly identify and resolve issues, we periodically conduct follow-up surveys with customers to collect feedback. Additionally, we conduct an annual customer satisfaction survey.

Survey Contents



Supply Chain Management

All main raw material procurement is initiated through the National E-Cigarette Transaction Management Platform. After approval by the State Tobacco Administration, we sign contracts for nicotine raw material transactions for e-cigarettes and then apply for the necessary transportation permits.

The company employs ESG principles to vet qualified suppliers and has conducted sustainable procurement training for all purchasing personnel. This ensures suppliers consistently deliver products and services meeting quality standards while enhancing their sustainable development capabilities. The initiative drives supply chain compliance in green production, social responsibility, and business ethics, ultimately building a responsible supply chain ecosystem.

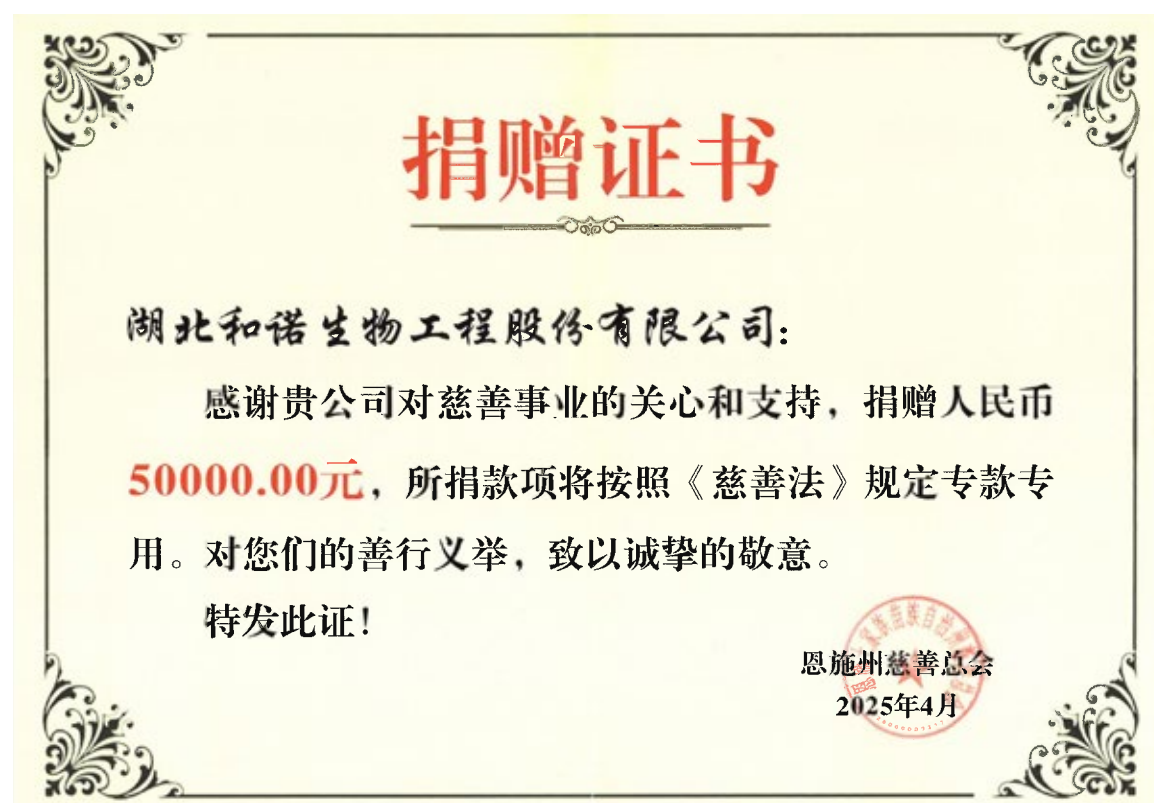
The company has implemented a Supplier Management Control Procedure to strengthen supplier governance, ensuring all procured products and services meet quality standards while requiring suppliers to sign three key agreements—the Environmental Protection & Occupational Health Commitment, Anti-corruption Compliance Agreement, and Social Responsibility & Ethics Standards Acknowledgment—to protect labor rights and promote ESG principles. In 2025, 50% of suppliers underwent social responsibility assessments, 50% received sustainability training (with specialized ESG programs for auxiliary material vendors), and all were subject to supply chain ESG audits to drive compliance.

We have established a series of quality management objectives:

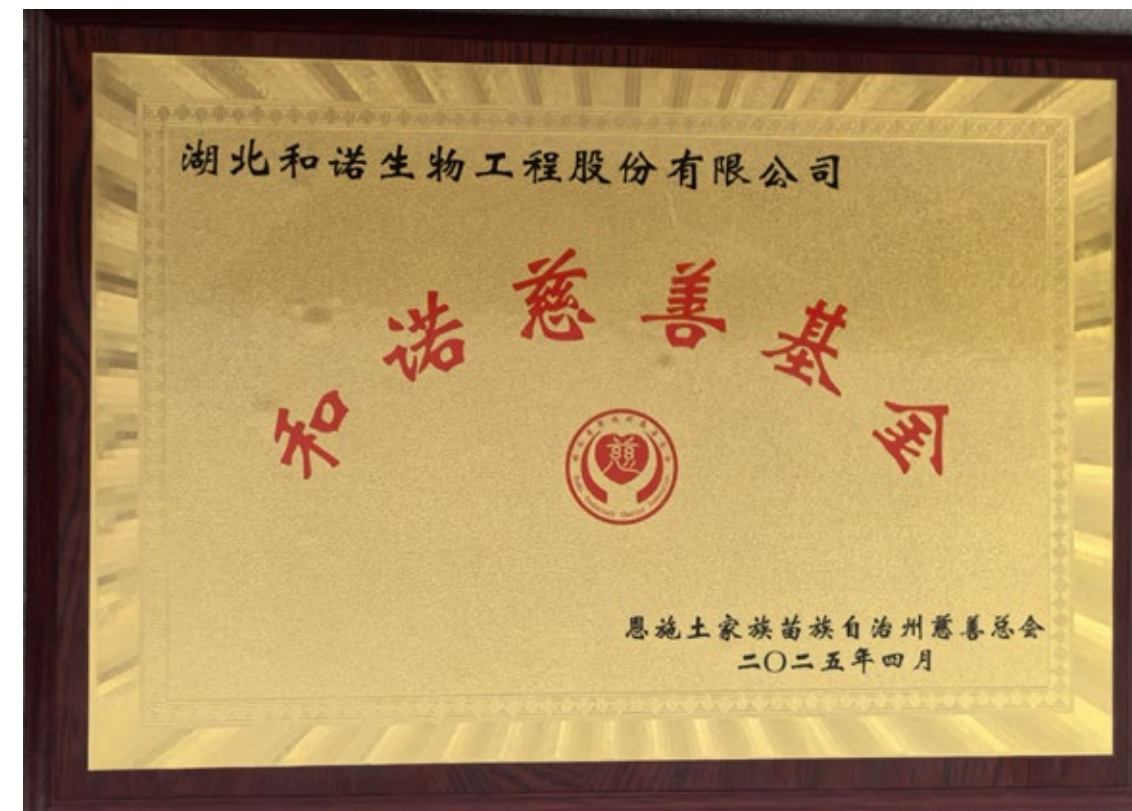


Rural Revitalization and Community Co-Development

In 2025, while maintaining sound operations and generating social value, the Company proactively fulfilled corporate social responsibilities and engaged in philanthropic initiatives to share development gains with the community. By integrating philanthropy into both its daily operations and long-term development strategy, the Company strives to share the benefits of growth with society, contribute to community well-being, and foster sustainable social development.



In April 2025, the Company donated RMB 50,000 through the Enshi Charity Federation to support rural revitalization initiatives.



In the same month, we established the Heno Charity Fund at Enshi Prefecture Charity Federation with dedicated funds, delivering targeted public welfare assistance and consistently practicing social responsibility.

Indicators

In 2025, the Company distributed 26 customer satisfaction surveys and received 25 valid responses, achieving an overall customer satisfaction rate of 96.7%. No customer complaints were recorded during the year, reflecting consistently strong customer trust and recognition of the Company's products and services.

Strict quality control delivered remarkable results. A total of 209 finished product batches were inspected this year, up by 37 batches or 21.5% year-on-year from 2024. There were no product returns or exchanges, and the first-pass yield rate for finished product testing reached 100%. The Company has steadily improved product quality consistency and performance in fulfilling market commitments.

BUILDING A GREEN, LOW-CARBON AND ECO-FRIENDLY ENTERPRISE >>>

Response
Topics

Environment, Green development,
Energy Conservation and Emission Reduction



Climate Actions

Governance

According to the Rules of Procedure of the Board of Directors, the Board of Directors, as the highest leadership for product and service quality, is responsible for periodically reviewing relevant management systems and ESG performance, ensuring the implementation and supervision of related management systems, promoting close collaboration among various business departments, and jointly advancing work in quality, service, supply chain management, etc., incorporating each employee into the collaborative system of ESG management.

We actively respond to the national “double carbon” goal, establish a greenhouse gas (GHG) emission management project team with the General Manager as the convener, and formulate relevant documents such as the Product Greenhouse Gas Verification Management Manual, Product Greenhouse Gas Procedure Documents, and Product Greenhouse Gas System Documents. We regularly track and analyze the implementation of the Company’ s GHG emission management system and take improvement measures.

Strategy

The Company is committed to reducing its carbon footprint and has established 2024 as its baseline year, targeting an average annual reduction of 8% in greenhouse gas (GHG) emission intensity from production operations by 2027. Through continuous process innovation, energy-efficiency improvements, and the increased adoption of renewable energy, the Company is steadily advancing its low-carbon transition.

1. Full Coverage of Distributed Photovoltaic (PV) Systems

In 2026, the Company will complete the installation of distributed photovoltaic (PV) systems across its manufacturing site, including car parks and the rooftops of all production facilities, with a total installed capacity of 395 kWp. Operating under a self-consumption model with surplus electricity fed into the grid, the project is expected to generate approximately 386,500 kWh of renewable electricity annually, meeting more than 12% of the site's total electricity demand and further increasing the share of self-generated green power.

2. Green Electricity Procurement

In line with Hubei Province's green electricity and biomass power trading policies, the Company will purchase biomass power quotas equivalent to 10% of total electricity consumption annually via the Hubei Power Trading Center starting from 2026. We prioritize power generated from local agricultural and forestry residues. This practice aligns with our industrial layout of recycling tobacco waste and cuts fossil power consumption by more than 400,000 kWh each year.

3. Technical Renovation and Optimization of Production Systems

The Company continues to optimize energy-intensive production processes, particularly within its fermentation facilities. In 2025, a waste heat recovery system was installed to capture excess heat above 80 ° C generated during production and reuse it in the purified water system and site heating applications. The project is expected to save approximately 1,500 tons of steam annually, equivalent to around 107 tons of standard coal, improving energy efficiency and reducing production-related carbon emissions. Additional initiatives include upgrades to the cooling water system and water treatment facilities, refined production scheduling, and peak-load management to optimize energy consumption and improve operational efficiency.

4. Implementation Support

A dedicated cross-functional task force has been established to oversee implementation, bringing together teams from technology, procurement, and operations. The Company works closely with local grid operators and biomass power suppliers to ensure a stable supply of renewable electricity. In parallel, a smart energy management platform has been introduced to monitor renewable energy utilization and energy performance in real time, supporting the continuous improvement of renewable energy substitution and the achievement of the Company's long-term decarbonization goals.

Impact, Risk and Opportunity Management

Task Force on Climate-related Financial Disclosures (TCFD)

In response to the international community’ s attention to climate change, as a leading enterprise in the green development of the national nicotine sector, we aim to enhance our ability to address climate change, effectively seize climate-related opportunities and manage relevant risks. we use the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify, analyze, and assess potential climate-related risks and opportunities that may arise in the short, medium, and long-term operations of Heno, as well as the corresponding financial impacts.

Policies and Regulations

Under the guidance of the national “double carbon” strategic goals, and with the intensive introduction of a series of climate policies such as the Carbon Emission Trading Management Measures, companies are accelerating the transition to a green and low-carbon economy, which has upgraded from a strategic choice to a development necessity. At the same time, regulatory agencies are showing a trend towards the normalization and standardization of requirements for climate-related disclosure, with the timeliness, accuracy of data, and transparency of content being incorporated into a more stringent regulatory framework.

Technology

Enterprises must invest in low-carbon technologies as part of their green transition efforts.

Market

With the strengthening of anti-smoking policies, consumers’ attitudes towards smoking (including e-cigarettes) may change, and some groups may choose to quit smoking or reduce their use of tobacco products, leading to a contraction in the demand for nicotine in the market.

Reputation

The impact of climate change on the energy sector: the development of climate policies and the advancement of the energy transition process may exacerbate the volatility of energy prices. Meanwhile, the global energy industry is rapidly transitioning towards low-carbon and cleaner energy, and companies will face challenges such as rising fuel costs and the optimization of electricity structures, requiring them to actively adjust their business strategies to respond to market changes.

Climate Assessment Results

With the increasing attention of stakeholders on climate change, expectations for companies in managing climate change, disclosing information, and communicating with stakeholders continue to grow.

Climate Risk Description

With the deepening development of global climate governance processes, stakeholders' expectations for enterprises' climate governance capabilities are continually rising. In terms of climate risk management, there is a demand for enterprises to establish systematic assessment and management systems. Regarding disclosure, higher standards have been set for the integrity, accuracy, and transparency of data. In the communication with stakeholders, there is an expectation to establish more institutionalized and regular dialogue mechanisms.

Financial Impact Description

Affected by the improvement of the carbon emission trading system and the implementation of carbon tax policies, the enterprise's greenhouse gas emission costs may show an upward trend, driving up operational expenditures.

Dual Costs from Non-Compliant Environmental Information Disclosure:

Non-compliance with environmental information disclosure may lead to dual costs: direct financial losses from regulatory penalties and indirect costs generated by crisis public relations.

Technological transformation will form notable capital expenditures, including technological innovation R&D costs, low-carbon transformation investments in production equipment, and adaptation costs for new technological processes.

Increased Demand Elasticity for High-Carbon Products due to Enhanced Consumer Environmental Awareness:

The improvement of consumers' environmental awareness may cause the demand elasticity of high-carbon products to increase, and the revenue of traditional product lines faces downward risks.

Against the backdrop of global energy transition, the price volatility of fossil energy has intensified. Electricity market reforms will reconstruct the energy cost structure, posing significant impacts on energy-intensive industries.

Lagging climate governance may trigger brand value impairment, rising capital costs, and fluctuations in investor confidence.



Heno's Response Measures



The Company strictly complies with national and local environmental regulations, and operates a policy monitoring mechanism to track carbon peaking and carbon neutrality policies for full compliance. We have formulated the Energy Management System Manual of Hubei Heno Bioengineering Co., Ltd. and integrated decarbonization strategy focused on energy transition, energy efficiency improvement, and green technology innovation.

Continuously identifying and assess applicable regulatory and disclosure requirements.

Establishing an environmental data management system and conduct annual carbon inventories verified by an independent third party.

Aligning ESG disclosures with domestic and international reporting standards and continuously enhance reporting quality.

Upholding low-carbon and environmental principles throughout both construction and production phases.

Actively advancing the development of a green factory.

The Natural Nicotine API project completed pilot-scale process development, technical system establishment, facility construction, and trial production in 2024. Qualification approval and regulatory registration submission expected in 2026, supporting future commercial-scale production.

ESG reports with third-party assurance have been released for four consecutive years.

Acute Risks



As climate change intensifies, the frequency and intensity of extreme weather events such as hurricanes and floods have significantly increased. Natural disasters caused by extreme climate events may lead to the following risks:

Supply chain disruptions: Delays or shortages in the supply of critical raw materials affect production continuity.

Rising costs: Emergency procurement, logistical adjustments, and post-disaster repairs lead to increased operational costs.

Asset loss: Production facilities, storage, and other assets may suffer direct damage.

To enhance supply chain resilience, the Company has taken the following actions:

Focusing on the impact of severe natural factors, simulating supply chain disruption risks through stress testing, and comprehensively assessing suppliers' risk resistance capabilities.

Optimizing the supply chain, guiding the industry chain to make strategic reserves and purchases, and better controlling procurement costs.

Metrics and Targets

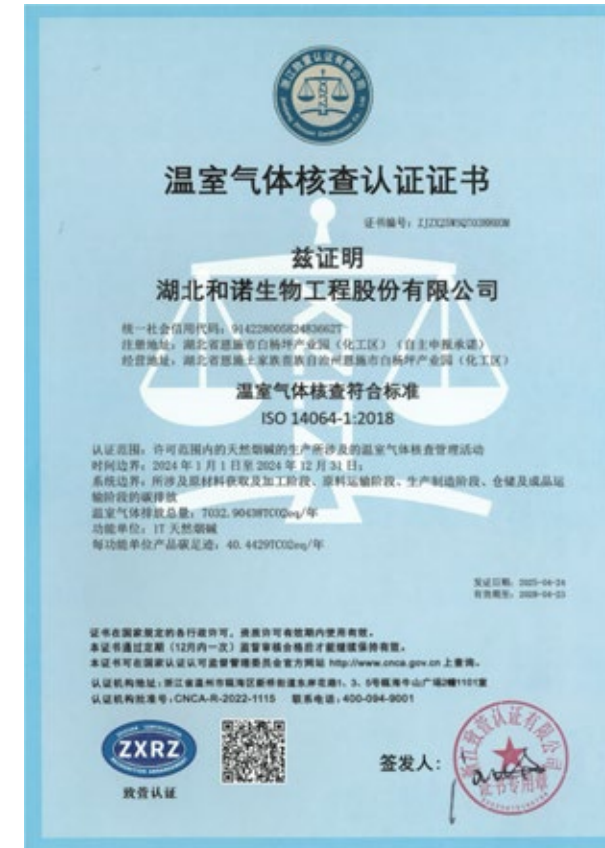
Climate-Related Indicators

The Company conducts greenhouse gas (GHG) emissions accounting in accordance with the Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (Trial). The Board of Directors oversees the review process to ensure the accuracy, reliability, and integrity of emissions data. GHG emissions information is shared internally to enhance employee awareness of climate action and encourage participation in low-carbon initiatives.

In line with applicable regulatory requirements, including the Interim Regulations on the Administration of Carbon Emissions Trading and the 14th Five-Year Plan for Greenhouse Gas Emissions Control, the Company publicly discloses its Greenhouse Gas Emissions Verification Report and Product Carbon Footprint Verification Report through official channels such as its corporate website and annual ESG reports. The Company will continue to regularly publish climate-related verification results and strengthen transparency in carbon emissions and carbon footprint management.



Product Carbon Footprint Verification Report



Greenhouse Gas Emissions Verification Report



Greenhouse Gas Emissions Data (2024–2025)

Indicator	Unit	2024	2025
Total Scope 1 GHG emissions	tons of CO ₂ equivalent	3603.4926	3714.9967
Total Scope 2 GHG emissions	tons of CO ₂ equivalent	3429.4118	3891.2578
Total GHG emissions	tons of CO ₂ equivalent	7032.9044	7606.2545

Note 1: Emission factors are mainly sourced from: IPCC 2006 Guidelines for National Greenhouse Gas Inventories; The National Development and Reform Commission’s Trial Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions by Enterprises in Other Industrial Sectors (2015); The Announcement on the Release of 2023 Power Carbon Footprint Factor Data issued jointly by the Ministry of Ecology and Environment, the National Bureau of Statistics and the National Energy Administration on January 21, 2025 (the 2023 national average power carbon footprint factor: 0.6205 kgCO₂e/kWh); Emission factors obtained directly from suppliers or customers, and from relevant external databases (e.g., Gabi).

All GWP (Global Warming Potential) values used in the accounting are selected with reference to the IPCC Sixth Assessment Report (AR6).

Note 2: Scope 3 greenhouse gas emissions are not included in the data due to data unavailability.

Compared with 2024, the Company's greenhouse gas (GHG) emissions increased in 2025. The increase was primarily attributable to the continued ramp-up of production capacity, higher operating rates, and the ongoing optimization of production processes at the new manufacturing site. Full-capacity operation of production lines and the trial production of new products also contributed to higher energy consumption and, consequently, increased GHG emissions. Going forward, as operations become more stable and manufacturing processes continue to mature, the Company expects the growth rate of GHG emissions to gradually moderate. Supported by the implementation of renewable energy projects, photovoltaic power generation, and energy-efficiency improvement initiatives, overall emissions are expected to stabilize over time and remain subject to effective management and control.

Climate-Related Goals

Using the year 2024 as the base year, the goal is to achieve an annual reduction of 8% in GHG emissions intensity in the production process by 2027.

Pollutant Emissions and Waste Management

Governance

The Company has established a complete environmental management system and obtained the ISO14001 Environmental Management System Certification. Through multi-dimensional management, we make every effort to reduce the environmental impact of production and operation activities and avoid potential environmental pollution risks. The company has formulated the Wastewater Discharge Management Policy, Waste Gas Discharge Management Policy and Hazardous Waste Management Policy to strictly control the generation and discharge of wastewater, waste gas and hazardous waste in production and operation.

Strategy

In accordance with relevant regulatory requirements, we have formulated an environmental self-monitoring program covering wastewater, waste gas, industrial enterprises noise at boundary, soil, groundwater and other projects. We regularly carry out self-monitoring as required. The environmental monitoring results during the reporting period all meet the relevant requirements.

Impact, Risk and Opportunity Management

Wastewater Management

The wastewater generated by the Company includes process wastewater, wastewater from air pollution control, wastewater from equipment cleaning, laboratory wastewater, wastewater from air compressors, initial rainwater, and employees' domestic wastewater. All the above wastewater enters the sewage treatment station set up by the Company for treatment. The water quality of each device's inlet and outlet and the water quality of the total discharge outlet are monitored to ensure that the discharged water quality meets the standard. The treated qualified wastewater is discharged into the park sewage treatment plant.

To address high-salinity wastewater from chemical nicotine synthesis, the Company employs single-effect evaporation desalination at the production workshop. The distillate is then discharged as effluent to the wastewater

treatment plant. The mixed wastewater undergoes comprehensive treatment through a multi-stage process: Flo-tation → Upflow Anaerobic Sludge Blanket (UASB) → Oxidic Treatment → Anaerobic-Oxidation (AO) → Primary Multiphase Catalytic Oxidation → Hydrolytic Acidification → Secondary Oxidation Zone → Membrane Bioreactor (MBR) → Secondary Catalytic Oxidation → Biological Aerated Filter (BAF).

After being treated by the plant's sewage treatment station, the wastewater meets the requirements of the Water Pollutant Discharge Standard for Chemical Synthesis Pharmaceutical Industry (GB21904-2008) and is discharged into the municipal sewage pipeline network.

We carry out regular wastewater quality monitoring every quarter to ensure that sewage discharge complies with legal requirements. During the reporting period, the Company completed 4 wastewater sampling tests, and the test results were publicly released on the official website.

For water resource management measures, please refer to the "Water Stewardship" chapter later.

Waste Gas Management

The Company's primary waste gas emissions include process-related exhaust gases, breathing emissions from storage tanks, and odor generated from the wastewater treatment station. To minimize environmental impacts and fulfill its environmental responsibilities, the Company has implemented a comprehensive air emissions management program.

Air Pollutant Emissions Prevention

The Company continuously optimizes production processes and improves resource efficiency to reduce volatile organic compound (VOC) emissions at the source. In 2025, raw material consumption per ton of nicotine product decreased to 168.4 tons, representing a 12.26% reduction from 191.94 tons in 2024. Consumption of No. 6 solvent oil declined to 1.2 tons per ton of product, down 28.99% from 1.69 tons in 2024. Enhanced equipment sealing and optimized solvent recovery processes have significantly reduced solvent losses and associated air emissions. In addition, dust collectors and fans are installed in production workshops to effectively capture and treat process dust, reducing fugitive dust emissions and improving on-site air quality.

Waste Gas Treatment Systems

Organic waste gases from production processes are treated via a combined system of three-stage spray absorption towers + mist eliminators + activated carbon adsorption + UV photolysis. Treated emissions meet the emission limits specified in Table 1 of the Emission Standard of Air Pollutants for Pharmaceutical Industry (GB 37823-2019) before being discharged through a 15-meter stack. Odorous gases from the wastewater treatment station and breathing losses from tank farms are collected via enclosed gas collection and negative pressure ventilation systems, then treated in three-stage spray absorption towers + UV photolysis facilities. These emissions stably meet the special emission limits in Table 2 of GB 37823-2019 and are discharged through a 15-meter stack in compliance with regulations. The Company conducts regular monitoring of organized waste gas emissions, analyzing indicators including particulate matter, non-methane total hydrocarbons (NMTHC), benzene series, and nitrogen oxides (NOx) to ensure compliance with legal requirements. During the reporting period, 14 organized waste gas sampling tests were completed, with all results published on the official website.

Fugitive Emission Control

In terms of fugitive emission management, the Company strictly implements a Leak Detection and Repair (LDAR) mechanism, including an annual plant-wide shutdown for comprehensive maintenance. During regular operations, the digital factory management platform enables routine equipment upkeep and patrol inspections, allowing timely detection and sealing of leaks in pipelines and components.

The Company has established a robust Equipment Inspection and Maintenance Management System, defining the responsibilities of each production workshop. Regular employee-led leak detection and elimination campaigns are conducted, and a dedicated leak management register is maintained to track and address identified leaks in a timely manner. Leaks that cannot be immediately resolved are clearly tagged, logged in the register, and subject to closed-loop tracking management.

Leak prevention is prioritized at the source through strict control over the quality of pipeline seal points during construction and installation, minimizing fugitive emissions. All emission points are equipped with online continuous monitoring systems for specific pollutants such as VOCs, hydrogen sulfide, and ammonia, ensuring compliance with the Pharmaceutical Industry Air Pollutant Emission Standard (GB37823-2019).

The Company regularly conducts fugitive emission monitoring, focusing on non-methane total hydrocarbons, benzene, hydrogen chloride, and other key indicators. During the reporting period, two rounds of fugitive emission sampling and analysis were completed, with all results meeting regulatory limits. Relevant data have been publicly disclosed on official platforms as required.

Case Study

Automatic Atmospheric Early-Warning Monitoring Station

In 2025, the on-site automatic atmospheric early warning monitoring station maintained stable operation with optimized performance, enabling real-time monitoring and accurate early warning of atmospheric conditions across the plant and surrounding areas.

The station is equipped with analyzers for NO-NO₂-NO_x, SO₂, PM2.5, and PM10, utilizing advanced techniques such as ultraviolet fluorescence, chemiluminescence, infrared gas filter correlation, and ultraviolet photometry. It provides 24/7 uninterrupted monitoring and data collection on key indicators including gaseous pollutants (SO₂, NO₂, H₂S, NH₃), particulate matter (PM2.5, PM10), and five meteorological parameters (humidity, temperature, wind direction, wind speed, atmospheric pressure). This ensures timely insight into ambient air quality dynamics and precise identification of potential pollution sources.

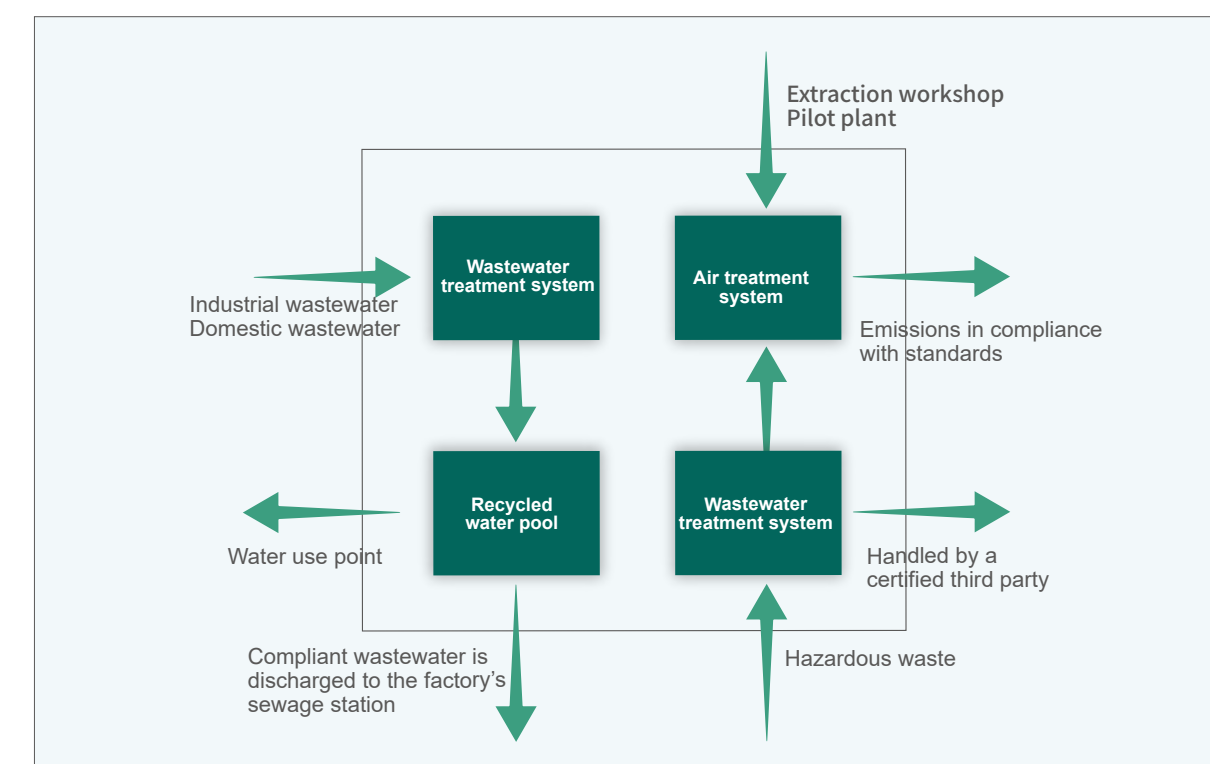
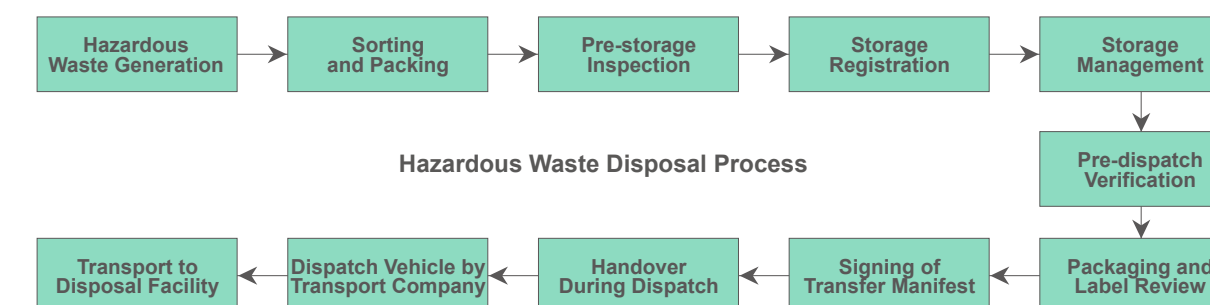
Hazardous Waste Management

Heno's hazardous waste refers to the waste identified as hazardous by the regulatory authorities of the operating location, mainly including waste testing liquid, waste activated carbon, and waste alkaline solution. We categorize and manage these hazardous wastes.

Heno designed environmental protection workshops in accordance with the principles of reduction, resource utilization and harmlessness. We continue to improve the process, use less toxic raw materials such as ethanol to replace more toxic methanol and isopropanol. The raw materials applied are less toxic, and the process is more convenient, which is conducive to reducing the emission of hazardous waste.

In addition, we have also implemented preventive measures for hazardous waste pollution, set up a hazardous waste temporary storage room in line with regulatory requirements, and strengthened management through the Hazardous Waste Temporary Storage Room Management Policy. In order to ensure the standardized management of hazardous waste, the Company organized special training on the management system of hazardous waste temporary storage rooms, which effectively improved employees' understanding and implementation level of hazardous waste management requirements.

The Company has established hazardous waste disposal agreements with licensed domestic contractors, mandating full compliance with all applicable national and local regulations for the collection, storage, and transportation of hazardous waste to prevent secondary environmental contamination. During the reporting period, the Company achieved a 100% compliance rate in hazardous waste transfers.



Eco-Friendly Workshop

General Waste

During the reporting period, general waste of the Company mainly consists of industrial solid residues (referring to ordinary industrial solid waste generated from production) and domestic waste. The Company implements standardized whole-process management for industrial residues. Qualified professional institutions are selected for collection, disposal and resource recycling to achieve waste reduction and resource recovery. Domestic waste is collected daily and transported to designated disposal sites on a regular basis to ensure compliant and eco-friendly treatment.

Metrics and Targets

All flue gas monitoring results during the reporting period exceeded applicable national standards. The online automatic flue gas monitoring system was kept in continuous operation to enforce full-process emission control and ensure stable compliance throughout the year.

	Non-Methane Total Hydrocarbons (NMHC)	Ammonia (NH ₃)	Particulate Matter (PM)	Nitrogen Oxides (Nox)
2025 Pollutant (Organized Emissions) Emissions (kg)	10,940	4115	1050	1020

A total of 15.29 tons of hazardous waste were disposed of in the period, including 7.155 tons of spent activated carbon, 6.273 tons of waste lye, 0.497 tons of waste mineral oil and 1.365 tons of waste testing solution. The compliant disposal rate reached 100%.

The Company continues to advance green R&D and the promotion of environmentally friendly products. By optimizing product process design, it helps reduce energy consumption during the end-use phase, minimizing negative environmental impacts across the product life cycle, and pursues a green, low-carbon development path.



Environmental Compliance

Governance

The Company has established an ESG governance framework led by the Board of Directors, deeply integrating sustainable development concepts into corporate strategic decision-making and operational management. Additionally, the Company has formed an ESG working group led by the General Manager, incorporating energy consumption metrics into departmental KPI assessments.

Strategy

We are committed to creating a green ecological enterprise system with blue sky, green land, clear water and clean air, and have built an environmental governance system in line with national standards. Based on the ISO 14001 framework, we have established standardized management systems covering all environmental elements, including but not limited to core system documents such as the Hazardous Chemicals Management Policy, Wastewater Discharge Management Policy, Waste Gas Treatment Management Policy, and Hazardous Waste Management Policy. The company is located in Baiyangping Industrial Park, Enshi City, which is not within the ecological red line protection scope of Hubei Province. Through a series of environmental protection measures, we have minimized the negative impact of pollutants discharged on the surrounding ecological environment.

Impact, Risk and Opportunity Management

Environmental Emergency Management

The Company has established a comprehensive environmental emergency management system. In terms of organizational structure, the Company has set up an emergency command center for sudden environmental incidents, headed by the Chairman as the commander-in-chief, with seven specialized groups: Communication and Liaison, Rescue and Relief, Alert and Evacuation, Medical Aid, Logistics, Environmental Monitoring, and Environmental Handling, forming a tiered responsibility and rapid response command system.

In terms of risk prevention and control, the Company has formulated the Hazard Source Identification and Risk Assessment Management Policy, Major Hazard Source Assessment and Safety Management Policy and Safety Inspection Management Policy, and implemented a strict hazard source control mechanism. The Chairman is responsible for leading safety inspections and rectification. Safety inspections are divided into five categories: comprehensive inspections, professional inspections, seasonal inspections, daily inspections and holiday inspections.

In compliance with the Environmental Protection Law of the People's Republic of China, Emergency Response Law of the People's Republic of China and relevant regulations, the Company has formulated the Emergency Response Plan for Environmental Emergencies. The plan specifies response procedures for scenarios including leakage of hazardous and toxic substances, as well as fires and explosions caused by flammable material spills, and has been duly filed with competent ecological and environmental authorities.

In line with the plan, the Company formulates an annual emergency drill schedule at the start of each year. We conduct no less than one comprehensive or special emergency drill annually and at least one on-site response drills every six months. Simulated accident scenarios help staff master emergency protocols and on-site handling capabilities. In 2025, the Company held 12 in-house emergency drills and participated in 1 joint drills organized by superior authorities. Targeted training on hazardous chemical management was delivered to personnel in key roles covering safety, production and warehousing, to enhance their capabilities in identification, storage, usage and emergency handling of toxic and hazardous chemicals. A total of 14 personnel received professional training during the reporting period.

Environmental Certification

The Company maintains valid ISO 14001:2015 Environmental Management System certification. The system covers all production and operational activities and is implemented in full compliance with relevant standards on a routine basis throughout the reporting period.



Environmental Management System Certification
The company has also received an A-level evaluation for ESG management and performance from the China Quality Certification Center.



ESG Evaluation Certificate
Green and low-carbon products are one of the our procurement evaluation criteria. To build a green supply chain, we prioritize procuring equipment from suppliers that have obtained ISO 50001 certification.



Packaging Supplier Environmental Management System Certification

Metrics and Targets

We always prioritize customers' core demands for product environmental performance and safety. Supported by our regular customer satisfaction tracking mechanism, we conducted targeted surveys on environmental protection and safety among 36 partner clients during the reporting period. The overall customer satisfaction score in this regard reached 9.80 out of 10, which fully demonstrates our solid track record and sound reputation in environmental compliance management and the supply of eco-friendly products.

For future development, the Company will further strengthen the development of a green supply chain and actively fulfill social responsibilities for ecological conservation. We will steadily advance green procurement initiatives and strive to raise the proportion of green procurement to 45%.

Energy Efficiency

Governance

The Company has established an ESG working group led by the General Manager to promote energy efficiency and decarbonization. At present, the Company is establishing a photovoltaic power generation system, laying a foundation for formulating more scientific energy management measures in the future. The Company also actively provide employees with training to enhance the awareness of energy conservation of all employees.

Strategy

Heno seeks to comprehensively improve the efficiency of energy and resource utilization, following the strategic principles of "low-carbon development, circular reuse, social harmony and common value creation". The Company continues to promote green development, and integrates the concept of green environmental protection into the whole life cycle of products.

The Company has established a comprehensive energy-saving and consumption-reduction system, promoting energy efficiency improvement through integrated measures such as process optimization, energy recovery, and system energy saving.

Impact, Risk and Opportunity Management

We refer to standards such as ISO 50001 to build and improve the energy management system. We formulated the Energy Management System Management Manual and continue to optimize production technology to reduce energy consumption and carbon emissions. During the reporting period, the Company actively promoted the certification of the energy management system and obtained the Energy Management System Certification issued by the China Quality Certification Center.



Energy Management
System Certification

The Company actively takes a series of energy-saving measures to optimize energy use efficiency. The energy-saving projects promoted by the Company during the reporting period are as follows:



Process Energy Saving

The Company has successfully developed a new extraction process with significant environmental advantages. Compared with the traditional extraction process, this technology has achieved an improvement in energy efficiency.



Energy Recovery and Utilization

The nicotine product evaporation and concentration uses a triple-effect evaporation process, where the secondary steam from the first effect serves as the heating source for the third effect, making full use of the residual heat from the secondary steam, thereby effectively saving fresh steam and cooling water consumption. The natural gas boiler is equipped with an economizer and a condenser to fully recover the waste heat of the flue gas, improve the feed water temperature of the boiler, and thus save the gas consumption of the boiler.



High-Efficiency Energy-Saving Equipment

The Company utilizes a reactor equipped with a DSC automated control system to achieve precise temperature regulation and energy-efficient production. This advanced system enhances the production line's automation by managing all material handling processes—including loading, unloading, and mid-reaction transfers—seamlessly. By eliminating unnecessary operational delays, the technology significantly improves equipment energy utilization efficiency while maintaining consistent process control.



Power Supply and Distribution System Energy Saving

To maximize plant-wide energy efficiency, the Company employs a hierarchical reactive power compensation system. This integrated approach combines centralized compensation on transformer low-voltage sides, decentralized units in key power consumption areas, and targeted on-site compensation—collectively enhancing power utilization through continuous optimization.



Water Supply and Drainage System Energy Saving

The Company employs a comprehensive water recycling system. Process and equipment cooling utilizes recirculated water to minimize freshwater intake while maximizing reuse rates. Steam condensate is recovered, purified, and repurposed as boiler feedwater, further reducing freshwater demand. The refrigeration system operates with softened water to enhance heat exchange efficiency—reducing makeup water requirements, minimizing maintenance needs, and extending equipment lifespan for improved production efficiency.



Heating Energy Saving

The boiler, thermal oil heaters and heating pipeline are all designed for thermal insulation in accordance with the Design Code for Insulation Engineering of Industrial Equipment and Pipe (GB50264-2013), strengthening the insulation and heat preservation design of heating devices and pipelines to reduce heat loss and improve the thermal efficiency.



Cooling Energy Saving

According to the design requirements for insulation of low-temperature pipelines, we have used insulation materials and accurately determined the thickness of the insulation layer to reduce cooling loss during transportation and lower energy consumption.



Energy Monitoring

The Company has equipped the workshop with an online monitoring system to promptly detect abnormal energy consumption in various systems and areas, allowing for more effective analysis and management of energy consumption data, thereby clarifying the direction for energy conservation and reduction efforts.



Energy Management Training

The Company actively engages its energy management team in conservation initiatives while implementing systematic energy-saving and carbon reduction training programs for all employees. These programs cover critical topics including production process optimization and practical daily energy conservation techniques to drive sustainable operational improvements. By the end of 2025, a total of 28 employees have undergone training, enhancing the overall awareness and participation in energy conservation.

Metrics and Targets

◇ Energy Utilization Indicators

During the reporting period, the Company's energy consumption by type was as follows:

Energy Type	Unit	2024	2025
Electricity	kWh	6,940,000	8,107,260
Natural Gas	m3	1,640,000	1,689,372
Diesel	L	16,620	18,050

Note: Electricity, natural gas and diesel oil are the major energy sources for production and daily operations, with no other types of energy consumed.

Total energy consumption increased in 2025 compared to 2024. This was mainly due to ongoing optimization of production layouts at the new site, gradual capacity release, increased shifts and equipment operating hours, as well as continuous process improvements and trial production of new products, which required higher energy input. As production processes become more standardized, process technologies mature, and energy-saving measures such as retrofits and photovoltaic (PV) utilization are progressively implemented, the Company's energy consumption is expected to return to a reasonable and stable range.

◇ Energy Efficiency Targets

Energy Transition Targets: Taking 2024 energy consumption as the baseline, the Company aims to achieve two key targets by 2027. First, we will scale up photovoltaic projects and procure biomass power to raise the share of renewable energy in total energy consumption to over 15%. Second, through production process upgrading, retrofitting of high-energy-consuming equipment and optimization of the energy management system, the comprehensive energy consumption per unit product will be cut by 10% against the 2026 baseline.

A detailed roadmap for clean energy development has been formulated to deliver the above goals. The Company launched distributed photovoltaic projects in 2024 and accelerated construction in 2025. PV systems have been installed on factory rooftops and parking lots, and full plant coverage will be completed in 2026. The project is expected to generate 386,500 kWh of electricity annually upon completion. Starting from 2025, the Company purchases biomass power accounting for 10% of total electricity use annually via Hubei Power Trading Center to optimize the energy mix and increase renewable energy penetration.

In terms of energy-saving renovation and refined management, multiple process and facility optimization initiatives were carried out in 2025. Refined operational management and optimized production schedules leveraged time-of-use electricity tariffs, cutting the average power price and saving approximately RMB 320,000 in electricity costs for the whole year. Technical renovations including backwater derusting and cooling system upgrading were also implemented to reduce energy use via process and management improvements. In 2026, digital statistics and management of time-of-use power consumption will be rolled out across all workshops to support targeted and scientific energy conservation.

Water Stewardship

Governance

In terms of water resource utilization, the Company consistently adheres to the concept of sustainable development by introducing advanced water recycling treatment systems. It tracks water usage data in real-time during the production process and has established a Wastewater Discharge Management Policy to regulate wastewater discharge practices during production, thereby preventing environmental pollution caused by wastewater discharge.

Strategy

The Company prioritizes the sustainable utilization and closed-loop management of water resources. For water intake, all production water is sourced through legal channels and primarily used for core processes such as process water and boiler feedwater. For wastewater treatment, the Company operates an advanced treatment system utilizing aeration, equalization tank, oxic tank, multiphase catalytic oxidation, hydrolytic acidification, A/O contact oxidation, MBR filtration, ensuring all key effluent parameters meet the requirements of the Water Pollutant Discharge Standard for Chemical Synthesis Pharmaceutical Industry (GB21904-2008) before discharge to the industrial park's central treatment facility. During the reporting period, regular monitoring of wastewater, soil, and groundwater confirmed full compliance with national standards.

Impact, Risk and Opportunity Management

Water Recycling and Reuse

To improve water efficiency and reduce wastewater generation, the Company has installed a recirculating cooling water station with a circulation capacity of 200 tons per hour. Critical equipment is served by closed-loop recirculating cooling water systems, while other equipment is cooled by net recirculating cooling water systems. The recirculating cooling water is not discharged; only make-up fresh water is added periodically.

Within the plant boundary, 90% of all production wastewater (e.g., from extraction and purification processes) is recycled.

In 2025, total water savings amounted to 14,700 m³.

Rainwater Collection System

To prevent chemical residues in wastewater from polluting local water bodies, Heno has put in place comprehensive water management measures to maximize resource efficiency. Following the principles of "separate rain and sewage" and "clean and polluted water diversion," the park has standardised its water systems.

The Company has established a comprehensive rainwater collection and regulation system with three core functions: routine rainwater management to ensure compliant discharge, smooth rainwater drainage during flood seasons to prevent waterlogging, and collection and temporary storage of polluted rainwater arising from abnormal operating conditions of production facilities.

A dedicated initial rainwater tank is built to collect surface runoff in the early stage of rainfall and retain excess rainwater during extreme downpours. A tiered rainwater management regime is enforced on-site: the first 20 mm of rainfall is fully diverted to the initial rainwater tank. Subsequent clean rainwater is discharged directly after passing quality inspection. Any substandard rainwater is transferred to the emergency tank, then pumped to the wastewater treatment station in controlled volumes for treatment before qualified discharge.

◆ Groundwater Pollution Prevention & Control

Following the principles of source control, zoned anti-seepage, pollution monitoring and emergency response, the Company has developed a full-cycle groundwater protection system for closed-loop management covering pollutant generation, infiltration, diffusion and emergency disposal. Anti-leakage measures are applied to production lines, pipelines, equipment and wastewater tanks to eliminate spillage and seepage risks.

Zoned anti-seepage treatment is implemented across production areas. Dedicated impermeable trenches channel accidental wastewater to the emergency tank, preventing infiltration into shallow groundwater. Pipeline layout is optimized: wastewater pipelines are mainly installed above ground, and underground pipelines are designed for easy inspection. Regular groundwater monitoring points are deployed to forestall potential contamination.

During the reporting period, 2 groundwater monitoring points were set up within the plant and in the area 1 kilometre beyond the plant boundary. A qualified third-party institution conducted tests on 11 key indicators including pH, turbidity, total hardness and nitrate. All test results complied with relevant standards, reflecting stable groundwater quality.

Metrics and Targets

◆ Water Utilization Indicators (Reporting Period)

During the reporting period, the Company consumed a total of 53,835 tons of water. The wastewater treatment station processed 14,118 tons of wastewater, of which 14,030 tons were recycled for production and 224 tons were discharged to the park's wastewater treatment plant.

Total Water Consumption	Wastewater Treated by On-site Station	Reused Production Water	Wastewater Discharged to Park Sewage Station
54000 Volume (ton)	16600 Volume (ton)	14700 Volume (ton)	1959 Volume (ton)

◆ Water Use Goals

The sustainable use of water resources is an important cornerstone of corporate environmental responsibility. On the technical level, we will continue to introduce and adopt advanced water treatment processes and equipment, optimize water usage processes in production, and continuously improve the recycling rate of water resources. On the management level, we strictly adhere to national and local wastewater discharge standards.

We are committed to achieving efficient utilization and protection of water resources through systematic measures, making a positive contribution to sustainable development.

Circular Economy

Governance

Since its establishment, the Company has consistently focused on waste resource utilization. Through continuous technological innovation and practice, Heno has now developed into a leading enterprise in the domestic natural nicotine extraction industry.

Strategy

The company actively practices the concept of circular economy, and the waste recycling project has significant environmental and economic benefits: using waste tobacco stems as raw materials to extract natural nicotine, while converting the extracted waste residues into high-quality organic fertilizer, providing a model for the circular economy.

The company attaches great importance to production process design, striving to maximize the utilization of various resources and minimize emissions. During production, solvents are collected and rectified for recycling, an equipment cyclic cooling water system is adopted, and by-products are comprehensively utilized as resources.

In the packaging phase, the Company actively promotes packaging material reduction and proactively adopts renewable packaging materials, thus forming a complete circular economy chain spanning from raw material input to product output.

Impact, Risk and Opportunity Management

Recycling of Solvent Oil

We continuously enhance our processes to save energy. By optimizing extraction and controlling key parameters, we reduced solvent oil consumption, increased recycling rates to over 85%, boosted production efficiency by more than 50%, and cut energy use by 20%. Industrial application of these improvements began in January 2023.

Packaging Material Use

Heno is dedicated to reducing packaging material usage and continuously enhancing their utilization to minimize environmental impacts. Under the Filling Safety Operation Procedures, we encourage filling operators to adopt 20kg-specification packaging instead of smaller fluorinated barrels to achieve primary packaging reduction. Meanwhile, we are replacing disposable foam materials in transportation with renewable paper pads to mitigate packaging-induced environmental pollution.

In addition, we have established a packaging recycling process to recover and reuse packaging materials for reduced consumption, ensuring they meet the product's basic packaging requirements and maintain quality.

Heno introduced reusable plastic turnover crates to replace the previous packaging method of fluorinated bottles and cardboard cartons. The crates are collected and reused through a closed-loop system. This initiative not only improves handling safety during transportation but also increases the reuse rate of packaging materials, significantly reducing annual cardboard consumption.

◆ Non-conforming Product Recovery

Residual materials in filling line pipelines are collected in designated recovery barrels in strict compliance with the Filling Safety Operation Procedures. After accurate weighing, the residues are recorded in the Non-conforming Product Transfer Log and sent to the refining workshop for reprocessing.

In 2025, 832 kg of materials were reprocessed, achieving 100% recycling and reuse.

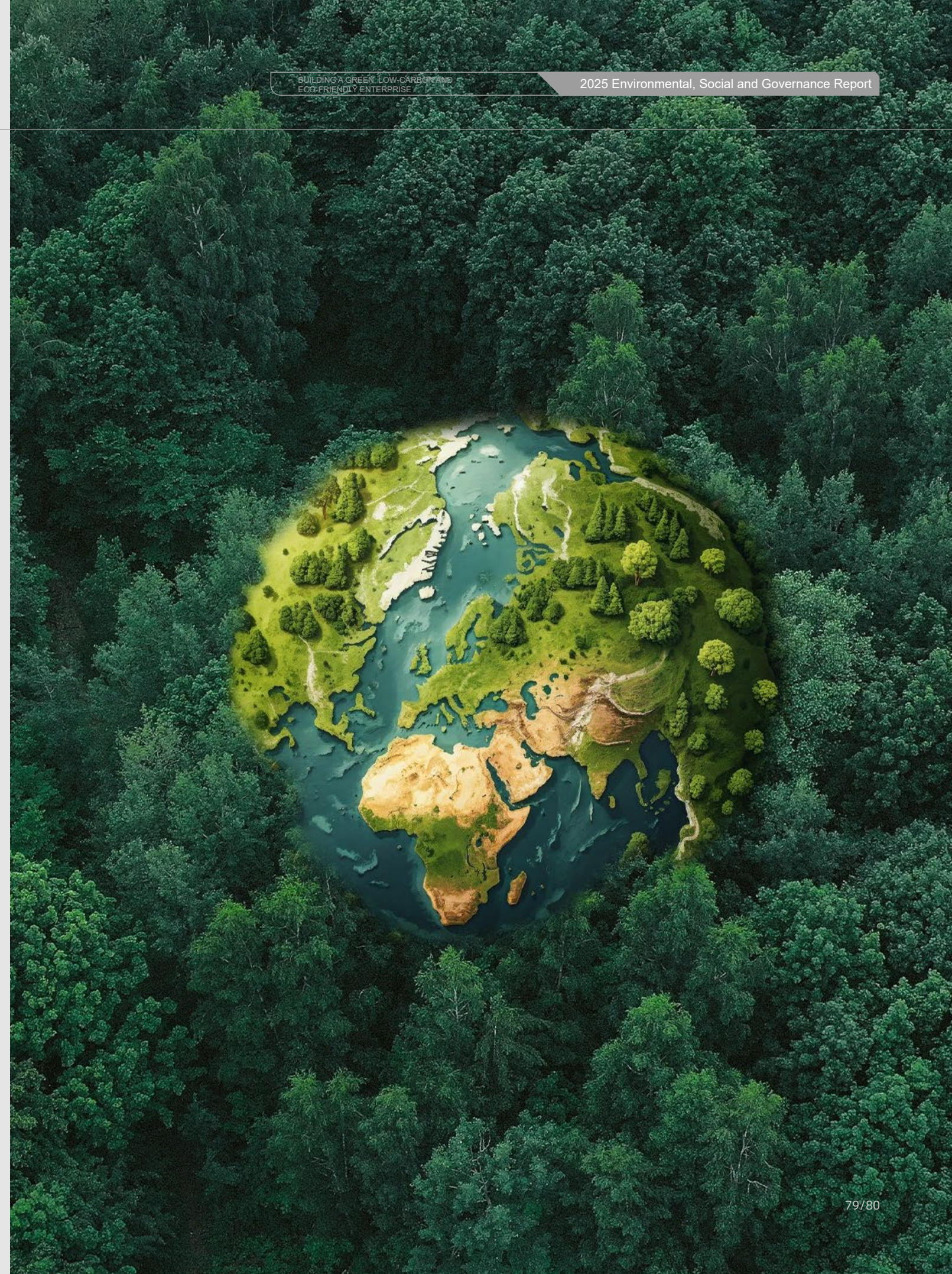
Metrics and Targets

During the reporting period, all nicotine raw materials used in production—totaling approximately 31,826 tons—were derived from recyclable agricultural waste. The company's products naturally degrade at end of life, with minimal environmental impact.

In 2025, all internal tobacco residue waste (51,129.59 tons) was sold to fertilizer producers as raw material for organic fertilizer, enabling high-efficiency resource recycling.

A total of 0.93 tons of waste polyethylene woven bags were generated during the reporting period, a 20.99% decrease from 2024, and all were transferred to compliant waste recycling facilities for disposal.

Upholding the principles of waste reduction, harmless treatment and resource recovery, Heno will continue to optimize production processes and prioritize eco-friendly raw and auxiliary materials. We will further improve the full lifecycle waste management system. Through technological upgrading, process refinement and workforce competency development, we ensure standard temporary storage, compliant transportation and safe disposal of all wastes. The company will also expand waste recycling channels to minimize landfilling and steadily advance low-carbon and sustainable operations.



Feedback Questionnaire

Dear Readers,

Thank you for taking the time to read Heno Biological Engineering Co., Ltd.' s 2025 ESG Report. To continuously improve our ESG governance and enhance our social responsibility practices, we look forward to your valuable feedback and suggestions on this report. Thank you!

Address: Baiyangping Industrial Park (Chemical Zone), Enshi City, Hubei Province

Email: sales@heno.net.cn

Contact Number: 0718-8305899

1. What is your overall assessment of this year's ESG report?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

2. Do you find the report accurate, clear, and complete?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

3. Do you think this report is readable?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

4. Do you think this report comprehensively reflects the Company' s significant impacts on the economy, society, and the environment?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

5. How do you rate the logical flow, structure, and design of this report?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

6. Which topics in this year's ESG report interest you the most?

7. What additional information would you like to obtain from the report?

8. Any comments or suggestions on our ESG report, ESG efforts, or sustainable development management: