Contact Number: 0718-8305899

Email: sales@heno.net.cn

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

和诺生物
HENO

2024
ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

CONTENTS

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 actively promoted energy management system certification and green factory evaluations in 2024, aiming to grow into a green and eco-friendly enterprise.

Since its establishment, Heno has been focused on the recycling of tobacco waste. Currently, we hold a leading position in the domestic market for natural nicotine.

Looking ahead, we will continue to advance research on the multifunctional applications of nicotine, striving to become a domestic leader and a world-class high-tech enterprise in nicotine utilization, driving new progress and breakthroughs in high-quality development.

Heno has 98 intellectual property achievements, including 16 new invention patent applications, 57 utility model patent applications. We achieved four new intellectual property accomplishments in 2024, including three computer software copyrights and one research paper.

The company has been honored with nearly 20 national and provincial-level accolades, including the prestigious National-Level “Little Giant” Enterprise title and the National Intellectual Property Advantage Enterprise award.

In terms of tobacco production, technological capabilities, and brand building, we established five research and innovation platforms.

The company’ s application to establish local standards for natural nicotine production and processing in Hubei Province has been approved, addressing existing gaps in technical control.

As of 2024

Cumulative intellectual property results	Invention Patent	Utility model patent	New intellectual property results
98 items	16 items	57 items	4 items

The company has been honored with nearly 20 national and provincial-level accolades	联合研发创新平台
20 pcs	5 pcs

About This report

Report Overview

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 2024, 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, 2024, to December 31, 2024.

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.

Terminology

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: http://iheno.com/)

Speech by the Executive

As the years change, new chapters are written. The year 2024 is a key year for Heno in deeply cultivating ESG practices and adhering to sustainable development. In the face of a complex and ever-changing external environment, we consistently uphold the business principle of “steady progression towards a lasting future” , integrating the essence of ESG governance into our strategic framework, and seeking a balanced path between prudent operation and responsible commitment, fulfilling our corporate citizenship mission with sincerity.

1. Upholding Environmental Responsibility, Pioneering Green Excellence

The Company deeply understands the profound connotation of "Lucid waters and lush mountains are invaluable assets" and regards ecological environment protection as an important cornerstone of corporate development. Throughout the year, we systematically promoted pollution prevention and control, completed full-cycle monitoring of air, water, and soil, and ensured that emission standards were continuously met; deepened resource recycling, constructed a closed-loop system of "raw materials-production-recycling," improved waste reuse rates, and reduced energy consumption per unit of output; increased investment in green technology, introduced energy-saving equipment and environmentally friendly processes, and promoted the transformation of production methods towards cleanliness and low carbon. We understand that ecological responsibility has no end point; only with the determination of "revering nature and protecting our home" can we achieve the symbiotic prosperity of industry and environment.

2. Honoring Human-Centric Values, Fortifying Sustainable Foundations

The Company is committed to the mission of serving society and building a shared future, solidifying the foundation of public welfare by providing skill training and educational advancement programs to support employees’ professional growth; actively engaging in public welfare initiatives, supporting local education and cultural development, and conveying the warmth of the enterprise; enhancing collaborative responsibility across the supply chain and establishing a fair and win-win cooperative ecosystem with upstream and downstream partners to collectively withstand market risks. We integrate the “red gene” into corporate governance, promoting deep integration of social responsibility through community collaboration, thereby interpreting the fundamental value of being a corporate citizen with tangible actions.

3. Governance with Rigor, Foundations for Centuries

The company adheres to the principle of “compliant operation and steady progress” to improve its modern governance system, by establishing a three-tier governance structure comprising decision-making, execution, and supervision layers to ensure full-process compliance review for major decisions, conducting compliance training, strengthening contract review and risk prevention, effectively resolving legal disputes, and maintaining strict adherence to the rule of law; reinforcing manufacturing safety responsibilities and building a responsibility system that is comprehensive horizontally and thorough vertically, completing hazard identification and emergency drills to achieve zero safety incidents; promoting the digital transformation of management, completing the standardization of archival resources, optimizing laboratory layout and testing capabilities, and enhancing operational efficiency through scientific management. We firmly believe that only by maintaining a cautious attitude can we safeguard our bottom line and navigate the complexities of the environment effectively.

4. Innovation with Purpose, Progress with Legacy

Faced with industry transformation and technological change, the Company harnesses " innovation-driven empowerment and upgrading" as its engine to deeply pursue core technology breakthroughs by focusing on fields such as biomedicine and new materials, increasing R&D investment, advancing patent layout and industry-university-research cooperation, achieving breakthroughs in multiple technologies from laboratory to industrialization; promoting intelligent transformation of production by introducing automation equipment, optimizing process flows, and enhancing production efficiency and product stability; exploring new paths for sustainable development, in addition to the main business of natural nicotine, laying out green chemistry and health industries to strengthen resilience through diversified innovation. We firmly believe that only with the courage to "break free from the cocoon and emerge as a butterfly" can we embrace change and seize opportunities in the unprecedented major transformation of the century.

“Although the road is long, it will be reached by walking; though the task is difficult, it will be accomplished by doing.” In 2025, we will continue wielding ESG as our guiding standard, weaving “accountability for green development, commitment to social service, and masterful governance precision” into every production process and strategic decision. In the mutual pursuit of high-quality development and high-level responsibility, we are crafting an enterprise narrative with greater human warmth and strategic depth.

April 1, 2025

Company Honors

Provincial Specialized, Refined, Distinctive, and Innovative (SRDI) "Little Giant" Enterprise

Hubei Province List of High-Value Trademarks

Gazelle Enterprise

Hubei Provincial 5G Factory

Hubei Premium Quality Certification

High-Tech Enterprise

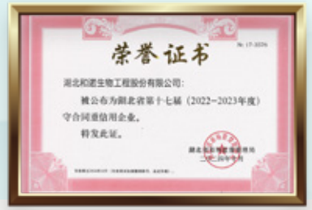
Joint Intellectual Property Protection Workstation

Outstanding Award of the 4th Hubei Province High-Value Patent Contest

National Specialized, Refined, Distinctive, and Innovative (SRDI) "Little Giant" Enterprise

National Intellectual Property Advantageous Enterprise

Hubei Provincial Exemplary Enterprise for Contract Integrity and Creditworthiness



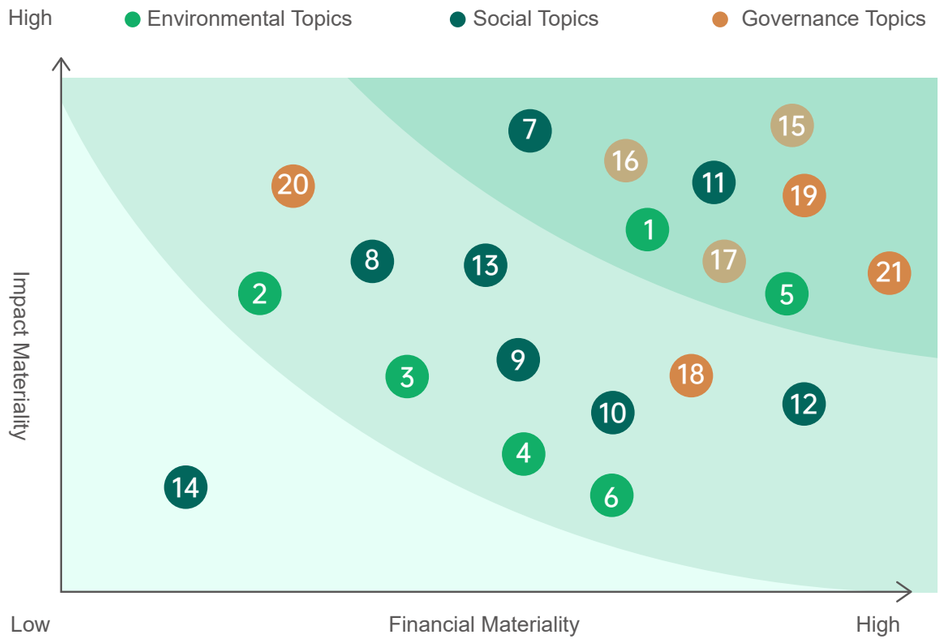
Hubei Provincial Top-Performing Industrial Product

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 2024, 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 Thi Reports
	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.	easonably 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
	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.	

EXCELLENCE IN GOVERNANCE

MATERIAL TOPICS COVERED

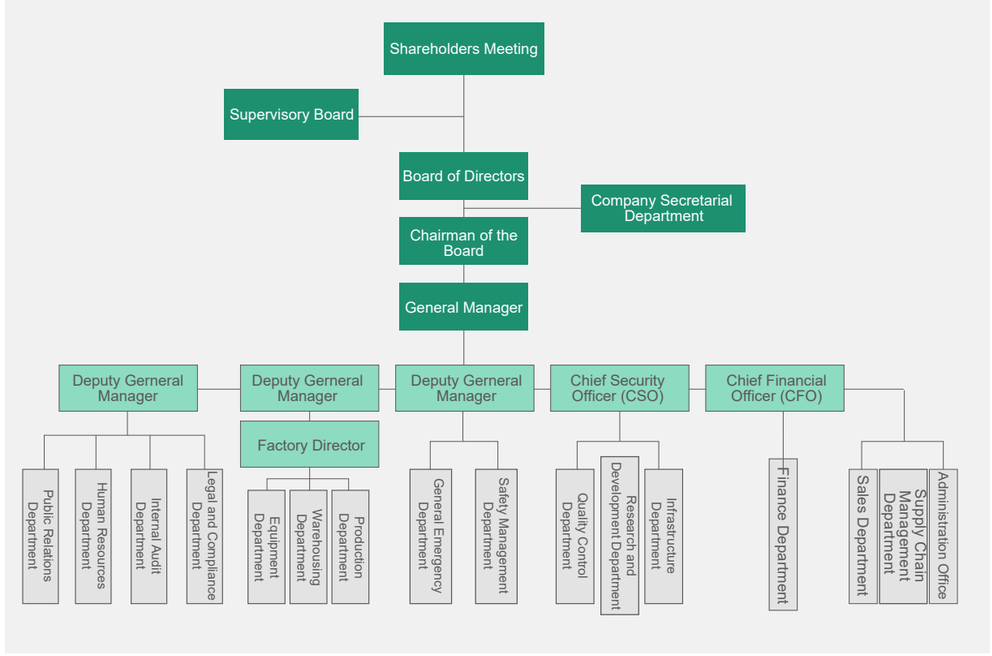
Due Diligence, Anti-Bribery and Anti-Corruption, Fair Competition, Data Security and Customer Privacy Protection.

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 is nominated by the Chairman of the Board and appointed by the Board of Directors. The Deputy General Manager (responsible for internal audit, legal compliance, and sustainability), Chief Financial Officer, Board Secretary, and Chief Security Officer are nominated by the General Manager and appointed by the Board. 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.

Three Lines of Defense of Internal Control

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 2024, 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.

01

Set "zero safety accidents and zero environmental incidents" as a non-negotiable performance threshold.

02

Promote energy conservation and reduce the waste of materials and fuel, while lowering production costs to boost employee performance bonuses.

03

Offer compensation above market rates to motivate employees to explore and innovate in improving production efficiency and optimizing processes.

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

Case Study1: Legal Training Initiatives

The company conducted nine specialized legal training sessions in 2024. In strict adherence to national regulations governing the e-cigarette industry, the Company began by ensuring that all employees thoroughly understood relevant laws such as the Tobacco Monopoly Law and the Regulations on E-cigarette Management. Through a series of shareholder, board, and management meetings, regular work sessions, and lectures delivered by legal advisors, these laws were taught in a structured approach. These efforts ensured that employees not only grasped the laws but also applied them in practice.

Case Study

Case Study 2: Contract Management

In 2024, we conducted 327 contract reviews, rejecting or withdrawing (after negotiation) 48 contracts, accounting for 14.7% of the total. Additionally, 26 general approvals were reviewed, with 2 rejections (7.6% rejection rate).

For rejected submissions, the legal team engaged in detailed discussions with process initiators, clearly explaining the reasons for rejection and providing practical, actionable revision suggestions. This demonstrates the legal team's effective oversight and value-adding review function.

To comprehensively prevent and control compliance risks, the Company strictly operates its compliance management system in accordance with the ISO37301:2021 international standard, and successfully passed the GB/T35770-2022 national standard and ISO37301:2021 international standard certification in 2024. Throughout 2024, the Company had no incidents of unfair competition or bribery.

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 has been formulated. Through the Information Security Management Policy, effective prevention of risks such as information leakage, tampering, and loss has been achieved. 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 2024, the Company reported zero information security incidents.

To ensure compliance, the Company installed 322 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 February 11, 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.


CMM

数据管理能力成熟度（甲方）

等 级 证 书

依据国家标准《数据管理能力成熟度评估模型》（GB/T 36073-2018），经评估，湖北和诺生物工程股份有限公司 数据管理能力成熟度达到受管理级（2 级），特发此证书。

评估机构：广电计量检测集团股份有限公司
评估依据：《数据管理能力成熟度评估模型》(GB/T 36073-2018)
证书编号：DCMM-I-2-4200-002307
查询平台：https://www.dcmm-cfeii.com

发证日期：2024 年 08 月 27 日
有效日期：2027 年 08 月 26 日 止

中国电子信息行业联合会

In 2024, the Company' s data management capability maturity was assessed at the management level (level 2), marking the third-party recognition of the departmental data management standards established by the Company.

CREATING A SECURE AND EMPLOYEE-FRIENDLY WORKPLACE

MATERIAL TOPICS COVERED

Employees

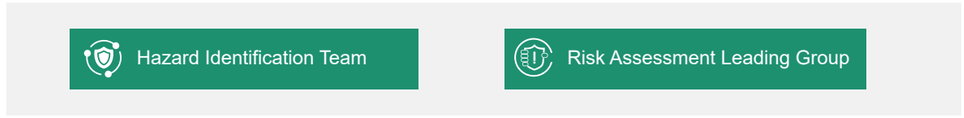
Governance

Occupational Health Management Framework

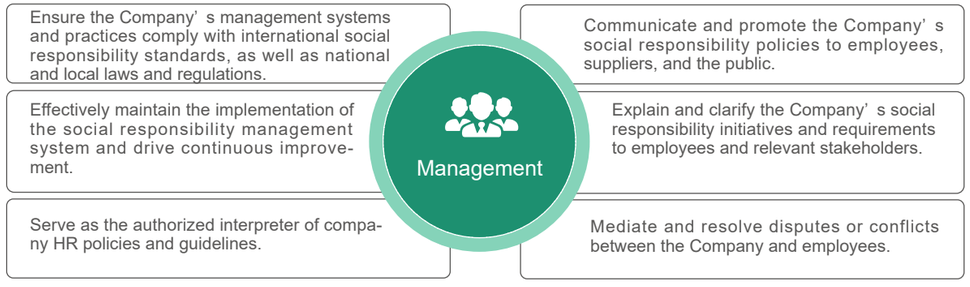
The company has set up a three-tier occupational health management network. We formulate and implement plans for preventing and controlling occupational diseases. We regularly review our prevention efforts and report progress to the employee representative conference each year. In addition, we actively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



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

The company has established a good corporate reputation, improved employee satisfaction, reduced legal risks, protected employee rights, promoted employee growth, and eliminated any form of discrimination through various measures that respect human rights. Since December 20, 2024, the Company has introduced a social responsibility management system (based on the SA8000 standard) to further monitor and prevent losses related to corporate social responsibility and health and safety, improve the work environment and labor conditions, strengthen labor protection, maintain employee rights, and take social responsibility seriously.

The company has established the following systems: Complaint and Grievance Management Procedure, Anti-Discrimination Management Procedure, Preventing Disciplinary Management Procedure, Eliminating Forced Labor Management Procedure, Working Hours Management Procedure and Employee Representative Management Procedure.

Specific measures include:

Aligning with the United Nations Sustainable Development Goals (SDGs).

Developing a clear human rights policy to ensure that all employees and business partners understand the Company's commitment regarding human rights, and integrating this commitment into all business activities.

Protecting labor rights by ensuring fair wages, occupational safety, and reasonable working hours for all employees.

Implementing a zero-tolerance policy against discrimination and harassment, and providing relevant training to ensure all employees are respected and treated fairly. The company has established the Prevention and Disciplinary Measures for Workplace Harassment, Violence, and Discrimination to prevent discrimination based on gender, race, religion, age, and disability. A grievance committee has been established to handle complaints of workplace harassment, violence, and discrimination. No incidents of discrimination or harassment were reported in 2024.The company's Employee Management Policy stipulates the regulations regarding employee misconduct, strictly prohibiting management personnel from physically punishing employees or engaging in psychological coercion and abuse. To prevent management personnel from disregarding rules and deceiving superiors and subordinates, the Administration Office has organized a fair election, allowing employees from various departments to elect employee representatives. Additionally, suggestion boxes have been set up within the Company premises, and the phone numbers of management representatives, health and safety representatives, and employee representatives are publicly available to ensure that employees can easily access complaint channels.

Moreover, the Company actively communicates its social responsibility policies, compensation regulations, national labor laws, minimum wage requirements, employee conduct guidelines, and health awareness materials through postings in all worksite noticeboards and production areas. This ensures all employees have baseline understanding of both CSR standards and national legal obligations.

Strengthening supply chain management to ensure all suppliers adhere to human rights standards and avoiding collaboration with entities that violate human rights.

Actively engaging in and addressing community human rights issues, and giving back to the community through donations and volunteer work.

Providing transparent reports on the Company's human rights policies and practices to stakeholders and undergoing external audits to align with best practices.

The company strictly prohibits child labor, complying with laws including the Labor Law, Civil Code, and Minors Protection Law of the People's Republic of China. We sign and fulfill labor contracts with employees in accordance with the law. In 2024, the employee contract signing rate was 100%. We modify, terminate, or renew contracts as needed.

Talent Development

We established a Training Management Policy to enhance employees' professional skills and improve middle management's capabilities, continuously boosting management efficiency and company growth.

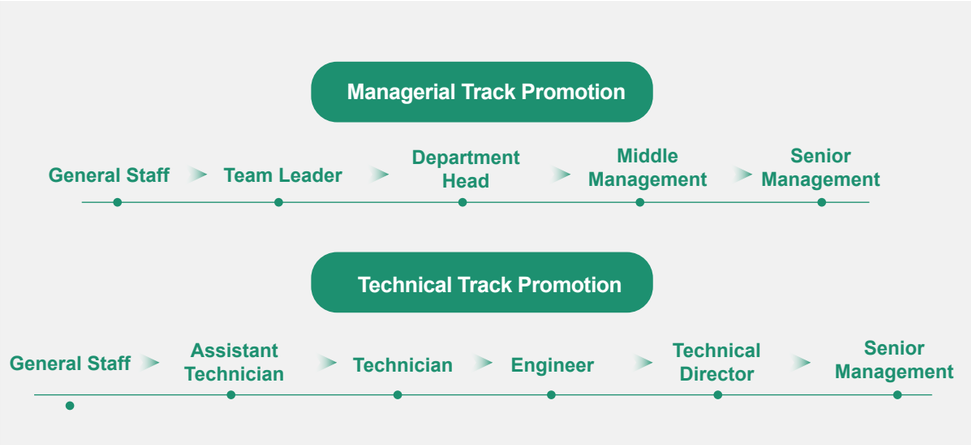
The Human Resources (HR) Department has organized a total of 28 company-level training sessions in accordance with the Company's 2024 annual training plan. The training program comprehensively covers workplace safety protocols, job-specific operational skills, emergency response drills, ISO and Good Manufacturing Practice (GMP) management systems, occupational health practices, business negotiation techniques, intellectual property protection, corporate and contract law, as well as relevant management policies and procedures.

The implementation of these training programs has significantly enhanced employees' professional competencies while effectively strengthening their safety awareness and emergency response capabilities.

Employees have access to an online learning platform to choose courses based on their job and development needs, with a requirement to complete at least five courses per person per month.

In 2024, the HR Department actively organized employees to participate in various professional qualification examinations, with 2 employees certified as Senior Economists, 1 as an Intermediate Accountant, and 41 obtaining special operation certificates (including 18 safety supervisors, 6 forklift operators, 4 quick-opening pressure vessel operators, 3 boiler operators, 3 crane operators, 2 special equipment supervisors, 2 chemical process instrumentation technicians, 1 low-voltage electrician, 1 working-at-height operator, and 1 welder).

Additionally, 3 employees acquired vocational skill level certificates (1 fire protection system operator and 2 emergency management specialists). For academic advancement, 14 employees were admitted to bachelor's programs and 5 to associate degree programs through the adult college entrance examination. These learning and certification initiatives have not only enhanced employees' professional competencies but also effectively addressed skill-job mismatches in certain positions, further optimizing the workforce's educational profile and strengthening the Company's overall capabilities.



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					
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 accordance with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other relevant regulations, the Company has established over ten policies, including the Occupational Disease Prevention and Control Responsibility Policy, the Occupational Disease Hazard Warning and Notification Policy, and the Occupational Disease Hazard Monitoring and Evaluation Management Policy. A comprehensive occupational disease prevention plan has been implemented, and following the principle that "those who manage production must also manage health," the Company has continuously strengthened its management of occupational disease prevention and workplace health protection. In 2024, the Company achieved certification for the ISO 45001 Occupational Health and Safety Management System.

Occupational Health and Safety Management System Certificate

The company has formulated the Occupational Disease Hazard Monitoring and Evaluation Management Policy to carry out occupational disease prevention with a focus on prevention and treatment. The Finance Department has set up special funds for the detection and evaluation of occupational disease hazards, commissioning qualified occupational health service agencies for annual testing. Any non-compliance found during testing is promptly rectified, and preventive measures are implemented to ensure employees' occupational health and safety.

For new, rebuilt, expanded, and modified projects, we have established the Three Simultaneous Management Policy for Occupational Health. This includes pre-assessments of occupational disease hazards during the feasibility study phase, reviewed by the occupational health management department. All prevention facilities must be designed, constructed, and implemented alongside the main project

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 signing labor contracts, we inform employees about potential occupational disease hazards, consequences, and preventive measures. We also have them sign the Notification of Occupational Hazard Factors. The company regularly conducts health check-ups for employees in high-risk positions, truthfully informs them of the results, and establishes health monitoring files. In 2024, there were zero cases of employees affected by occupational diseases.

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.

To proactively mitigate ergonomic hazards such as high workload, repetitive strain, and awkward postures that may lead to employee fatigue in factory operations, and to ensure the employees' physical health, the Company has developed the Work Fatigue Prevention and Control Management Policy and conducts training on the prevention and control of occupational musculoskeletal disorders for employees in at-risk positions.

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

Case Study: Implementation of the "12345" Safety Management Methodology

1. Tiered Risk Control System. The Company implemented a tiered risk control system under the leadership of top management, conducting comprehensive risk identification across all departments and functional areas using the LS Risk Matrix Analysis method to assess risks based on their potential severity and likelihood, then classifying them into a four-color coded system (Red, Orange, Yellow, Blue). A total of 1,098 risks were identified and systematically mitigated.

2. Hazard Identification and Remediation. In 2024 the Company compiled the Hazard Identification Reference Manual based on relevant work safety laws and standards, listing potential hazards across 17 areas including fire safety, hazardous chemical management, electrical systems, special operations, and contractor management, providing employees with clear guidelines for daily hazard inspections. Besides, coordinated by the Company's Safety Committee with cross-departmental collaboration, 55 safety inspections were conducted in 2024, identifying 288 hazards, all of which have been rectified.

3. Incentivized Hazard Reporting. In accordance with the Opinions on Promoting the Establishment and Improvement of Internal Hazard Reporting and Reward Mechanisms for Production and Operation Units issued by the State Council Work Safety Committee, the Company formulated its Hazard Reporting Reward Program. From the program's launch until year-end, employees across departments reported 27 hazards, all of which were rewarded and subsequently rectified and verified through the digital factory system, achieving closed-loop management.

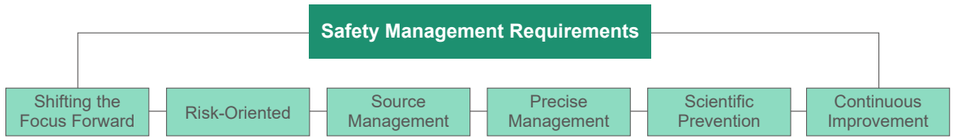
4. Digital Empowerment for Enhanced Efficiency. The Company's Work Safety Dashboard serves as a window into the Company's safety management, displaying real-time safety control information. Additionally, the Company continues to strengthen the implementation of digital tools, ensuring rigorous enforcement of safety protocols through enhanced training, daily inspections, and shift handover management modules. The command center collaborates with departments to refine the digital factory platform data, facilitating discussions on optimizing digital applications, with the goal of collectively advancing the Company's digital transformation.

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 tofamiliarize 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 set up a mechanism for daily, monthly, seasonal, and holiday inspections to identify safety hazards. We strictly implement hazard management plans, ensuring the "Five Implementations" of responsibility, measures, funds, timelines, and plans. The Safety Management Department conducts weekly inspections across the Company, with monthly inspections led by the Chairman. If hazards are found, the department issues a rectification notice and verifies the status in the next cycle.

Dual Inspections to Eliminate Safety Hazards

For delivery vehicles of 6# solvent oil and concentrated sulfuric acid, dual safety checks are conducted by security upon entry. The checks include vehicle integrity, static electricity control facilities, flame arrester configuration, clarity of vehicle labels, and driver qualifications.

On-Site Monitoring for a Safe Factory

During auxiliary material unloading, the Company assigns two personnel for on-site monitoring and equips them with static eliminators, emergency facilities, and firefighting equipment.

The company has developed specific on-site handling plans for auxiliary material transportation and conducts emergency drills to ensure safety.

The company has signed 92 safety responsibility agreements with all key positions. We conducted comprehensive risk identification in the production areas twice, carried out 58 safety inspections, identified 169 safety hazards, issued 13 hazard rectification notices, and achieved a 100% rectification rate.

In 2024, the Company allocated a total of CNY 2,824,100 for work safety expenses, with an initial balance of CNY 2,571,300, resulting in a combined safety fund of CNY 5,395,400. Expenditures for the year amounted to CNY 1,068,700, leaving a year-end balance of CNY 4,326,700. Throughout 2024, only three minor work-related injuries occurred, resulting in 1,149 lost work hours - a reduction from previous years. All affected employees received proper medical treatment and compensation, achieving a 100% satisfaction rate.

Manufacturing Emergency Response

The company developed the Manufacturing Safety Accident Emergency Plan in line with the Regulations on Emergency Response to Manufacturing Safety Accidents and other relevant laws. This plan was registered at the Enshi Emergency Management Bureau on November 21, 2022. It categorizes emergencies into three response levels based on their nature, severity, controllability, impact, and possible accident scenario analyses. Level I and II incidents are managed according to the emergency plan, while Level III incidents are handled by the responsible department following on-site emergency response protocols.

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.

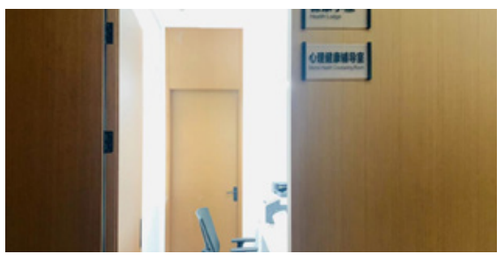
We are committed to gender equality, respecting and protecting women's rights. We ensure fair compensation for female employees and safeguard their rights to maternity leave, prenatal check-up leave, and breastfeeding leave, granting 158 days of maternity leave. Additionally, employees receive annual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

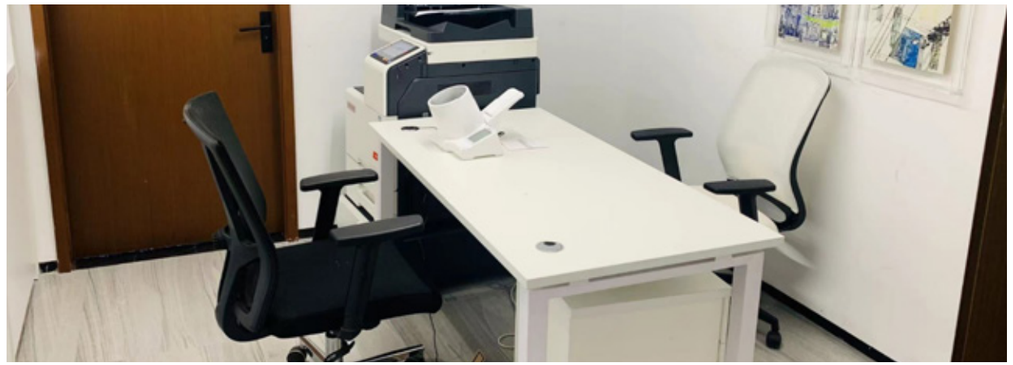
The Company has set up a Health Lodge and a Mental Health Counseling Room on the ground floor of the main office building. These facilities are equipped with automated blood pressure monitors and body measurement devices, allowing employees to conveniently check their basic health metrics during breaks.

The center also offers a selection of health and wellness literature for employee education. As part of our ongoing wellness program, we partner with physicians from Enshi Huiyi Hospital to provide monthly on-site health consultations. These sessions address both physical and mental health concerns while promoting sustainable lifestyle practices.



Health Lodge

Body measurement devices



Automated blood pressure monitors

Case Study

The Company implemented a comprehensive training program on Creating a Diverse, Equitable and Inclusive (DEI) Workplace, systematically addressing five key dimensions to foster an inclusive environment. The initiative began with awareness building, exploring diversity across demographics, cognitive styles, cultural backgrounds, and skill sets while demonstrating inclusion's value in driving innovation, enhancing brand reputation, and strengthening team cohesion. Practical skill development followed, covering cultural sensitivity, unconscious bias recognition, and conflict mediation techniques. Structurally, the program established dual-track career paths, adaptive benefits systems, and belongingness initiatives to institutionalize inclusion. Through hands-on activities like cross-generational collaboration exercises, global team simulations, and crisis scenario drills, employees applied these concepts in realistic settings.

Indicators

As of December 2024, the Company had a total workforce of 116 employees, comprising 113 regular employees, 2 contractors, and 1 temporary hire, representing a 5% year-over-year growth in headcount. Throughout the year, 10 new employees were recruited while maintaining a 5% turnover rate, with no attrition in business-critical positions. Employees from minority or vulnerable groups accounted for 51.3% of the total workforce and 45% of senior management. The organization demonstrates a healthy age distribution across its workforce and maintains a collaborative, inclusive work environment.

Employee Structure

Indicator	
By age	Person
Under 20 years old	0
20 to 29 years old	31
30 to 39 years old	53
40 to 49 years old	17
50 to 59 years old	15
Over 60 years old	0
Total number of employees	116

By gender	
By age	Person
Male	104
Female	12
Total number of employees	116

Employee Benefits

The company prioritizes employee welfare, creating a comfortable, safe, and healthy work environment. This ensures employees feel cared for and respected, boosting motivation, creativity, and cohesion. Employees receive the five social insurances and one housing fund (endowment, medical, unemployment, work-related injury, childbirth, and housing accumulation). Additionally, the Company provides work safety and employer liability insurance, and in 2024, it subscribed to comprehensive occupational insurance for employees.

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

We constantly refine our salary structure for fair and reasonable compensation. We manage work hours and rest breaks to ensure employees get sufficient rest. Salaries include basic pay, position allowance, seniority allowance, special allowances, overtime pay, performance bonuses, and year-end bonuses. We uphold equal pay for equal work, with the starting salary ratio of men to women at 1:1. The average salary of female employees is 8.96% higher than that of male employees in the Company.

In 2024, our starting salary was 2.35 times the local minimum wage in Enshi. The ratio of the total annual salary of the highest-paid individual to the median total annual salary of all employees is 5.08.

Salary 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:

1.Weekday Overtime:

(Base Salary ÷ 21.75 ÷ 8) × 1.5 × Overtime Hours

2.Weekend Overtime:

(Base Salary ÷ 21.75 ÷ 8) × 2 × Overtime Hours

3.Public Holiday Overtime:

(Base Salary ÷ 21.75 ÷ 8) × 3 × 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.

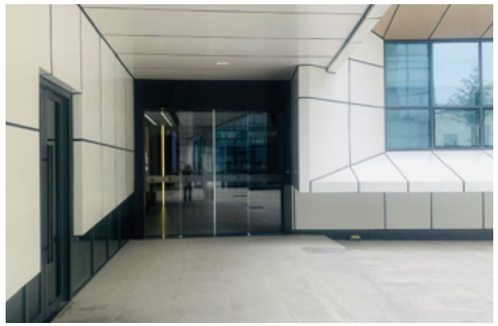
The company prioritizes employees' physical and mental well-being by organizing comprehensive health check-ups and hosting two post-examination health lectures conducted by medical professionals. These lectures covered essential topics including psychological counseling techniques and balanced nutrition 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 that every employee can live and work conveniently, the Company has set up accessible pathways.

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



Command Center on the ground floor of the main building)

Accessibility Note

The elevator outside the Command Center

The elevator provides direct access to office areas on the first and second 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 2024, the Company distributed 71 employee satisfaction surveys, with 68 completed responses received, achieving a 96% valid response rate that covered all departments. The survey evaluated satisfaction levels across key areas including management systems, compensation and benefits structures, career advancement channels, and working hours, while also gathering employee expectations for the Company's future development along with their suggestions. The results demonstrated that 96% of employees expressed high satisfaction with the Company' s management approach and policies, reported strong contentment with their remuneration, and showed robust confidence in the organization's future growth.

Analysis of the feedback shows that 4% of employees perceive their current roles as significantly challenging, primarily due to self-identified gaps in professional competencies, work capabilities, and experience. This constructive self-assessment demonstrates employees' awareness of developmental areas and their proactive mindset toward skills enhancement through targeted learning initiatives - reflecting a strong desire to grow in tandem with the Company' s progression. Notably, the survey recorded zero instances of "dissatisfied" or "very dissatisfied" responses. In direct response to these upskilling aspirations, the Company has implemented individualized development plans (IDPs) for all positions, achieving an average of 14 training hours per employee.

The Company values communication, actively listening to employees' feedback and providing timely responses to ensure effective collaboration. After any operational management changes, we promptly inform employees, continuously enhancing transparency about our operations and financial status. This helps employees understand the Company' s development and decision-making processes. The Company promotes internal team discussions and consultations, allowing employees to freely express their opinions and suggestions and collaboratively develop work plans.

ACHIEVING SHARED GROWTH THROUGH CORPORATE CITIZENSHIP

MATERIAL TOPICS COVERED

Rural Revitalization, Social Contribution, R&D Innovation, Technology Ethics, Product and Service Safety and 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 innovateion 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

We have established the Sales Management Policy, clearly stipulating that the sales process must be honest and trustworthy, without deceiving customers or passing off inferior goods as superior ones. The company places great importance on customer privacy protection. All Sales Department employees sign confidentiality agreements and strictly safeguard customer information. In 2024, the Company did not experience any violations related to marketing activities or incidents of customer privacy breaches.

As a company dedicated to natural nicotine production, we recognize the crucial role of tobacco monopoly management in maintaining market order, safeguarding consumer rights, and supporting national fiscal health. We steadfastly adhere to legal operations and prioritize quality, strictly following the provisions of the Law of the People's Republic of China on Tobacco Monopoly.

The Company's Drug Manufacturing License remains valid. It has introduced professional pharmaceutical production and quality management personnel, and in accordance with the research materials from the R&D unit, has simultaneously established technical documents such as quality standards, inspection methods, inspection operation procedures, and process regulations for various raw materials, auxiliary materials, packaging materials, intermediate products, and finished products that are adapted to the Company's actual situation. At the same time, based on the Company's current management structure, it has formulated management procedures suitable for the operation of the current quality system, covering the entire process management of R&D, procurement, warehousing, equipment, production, quality, sales, etc. In strict accordance with GMP requirements, the Company has established 763 management operation documents, 117 technical documents such as processes, standards and methods, 84 equipment files, 12 supplier files (2 on-site audits), 51 equipment and plant validations, 7 inspection method transfers, as well as 3 process validations, cleaning validations and storage period validations, and carried out 48 GMP internal trainings and 3 external trainings.

In 2024, the Company remained certified by ISO 9001 quality management system.

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 2024, 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, Heno provides a safety notice detailing product hazards, precautions, preventive measures, and safety requirements for operation, use, transportation, and storage. In 2024, the Company did not experience any violations related to product and service information or labeling.

Innovation, Research and Development

Heno is dedicated to driving technological innovation, firmly implementing the national strategy of innovation-driven development. We place great emphasis on the R&D of new products and technologies.

In 2024, Heno established two provincial-level research and innovation platforms. Additionally, we have formed industry-university-research strategic alliances with several institutions.

◇ Industry-University-Research Integration for Local Scientific Development

We signed an agreement with the School of Foreign Languages at Hubei Minzu University for a Master’ s internship project. This initiative enhances the practical skills and professional qualities of Translation Masters students while effectively integrating industry, university, and research to serve regional economic development.

We focused on improving product quality by conducting a study on the refining fraction removal process. By enhancing the extraction process, we increased the original nicotine mass fraction from 99.5% to 99.9%, significantly reducing the proportion of harmful substances in the final products.

We established the Heno - Hubei University of Technology Joint Innovation Center for Nicotine-Based Pharmaceutical Products. This center fosters mutual growth between academia and industry, achieving industry-university cooperation and mutual benefits.

We established an Academician Workstation at the School of Chemistry and Environmental Engineering, Hubei Minzu University, to co-develop heavy metal control processes for bio-organic fertilizer, supporting sustainable social and economic development in Hubei. This initiative also provides the intellectual and technical support needed to accelerate the transformation of scientific achievements.

Overview of Joint Research and Innovation Platforms

Platform Name	Approval Year
Hubei Enterprise-University Joint Innovation Center for Nicotine-Based Pharmaceutical Products.	2020
Hubei Academician Workstation	2022
Hubei Intellectual Property Protection Workstation	2023
Heno - Hubei University of Technology Nicotine New Materials Research Center	2024
Hubei Science & Technology Specialist Workstation	2024

Overview of R&D Projects

Research Project	2024 Progress
Development of Nicotine New Materials - Natural Vapor Phase Rust Inhibitor	DPassed 7 test cycles (qualified); undergoing 9-cycle testing (excellent grade)
Development of Solid Nicotine Salt Products	Developed 6 monomer salt and composite salt series products
Development and Application of New Flavors & Fragrances	Established comprehensive flavor product lineup
API Process Development Project	Transferred to API project team; completed batch production
Study on Natural Nicotine’s Impact on Cellular Health	Contract finalized; research to commence February 2025
Research on Selenium and Cadmium in Soil Fertilizers	Completed in 2024
Key Technology Development and Application of L-ortho-nicotine	Completed in 2024

Intellectual Property Management

The Company established the Intellectual Property Management Policy to safeguard our intellectual property, encourage innovation, and strengthen its management. We formed an Intellectual Property Leading Group, comprising the Chairman, General Manager, Deputy General Manager in charge, and department heads. The Chairman leads this group, overseeing the management of intellectual property. The Intellectual Property Management Office within the Research and Development Department, headed by the Deputy General Manager of R&D, handles daily intellectual property management tasks.

Our focus is on expanding our products in the pharmaceutical field. In October 2024, we conducted a study on key parameters for the nicotine sulfate extraction process. Additionally, we have completed small-scale process development for the key technology project for L-ortho-nicotine in 2024.

Heno holds 94 intellectual property achievements. In 2024, we filed 6 new invention patents and 4 utility model patents, with the National Intellectual Property Administration granting 4 invention patents and 2 utility model patents.

In April 2024, the Company was designated as the Enshi Prefecture Intellectual Property Protection Workstation. That same month, the Company was included in the Hubei Province List of High-Value Trademarks. In October 2024, the Company successfully obtained the China Intellectual Property Management System Certification. In November 2024, the Company was recognized as a National Intellectual Property Advantageous Enterprise.

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

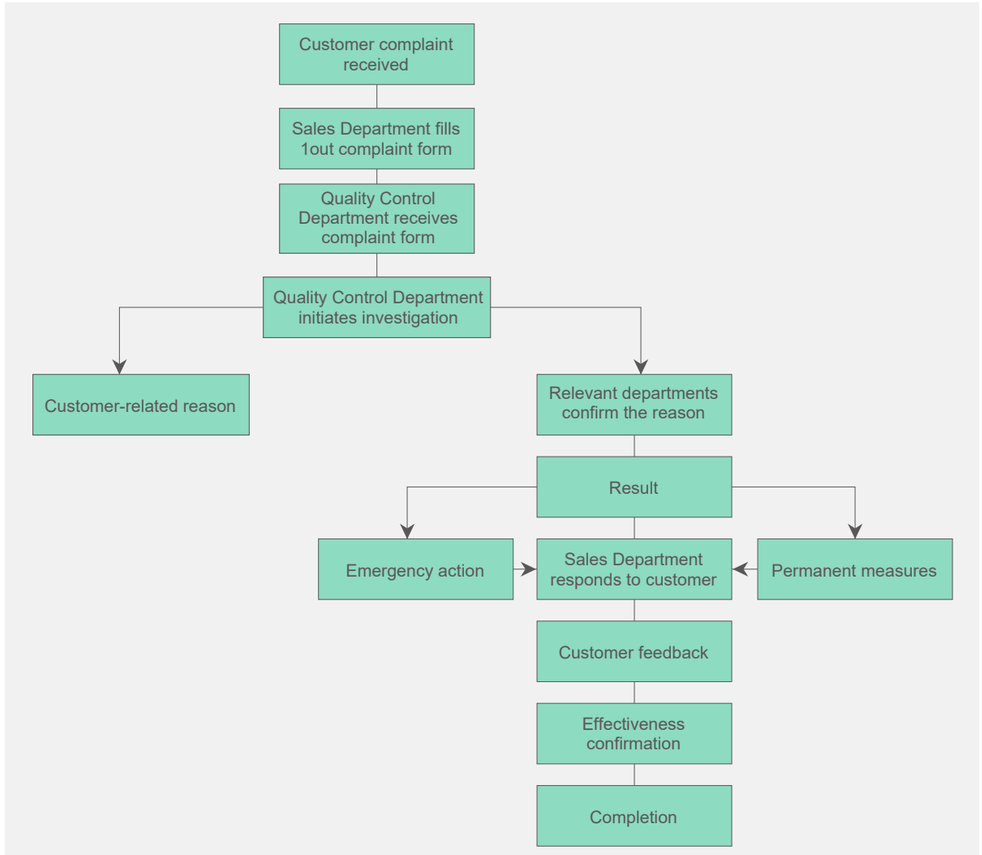
The platform ensures safety management of the production process. The platform consists of four application modules, including the following:

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

Product Quality	Service	Delivery	Price	Environment and Safety
(50% weight)	(20% weight)	(10% weight)	(10% weight)	(10% weight)

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 2024, 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:

The one-time passing rate of product inspection	The qualified rate of product delivery	Customer satisfaction
⩾98%	100%	⩾95%

Rural Revitalization and Community Co-Development

While creating social wealth, the Company remains committed to fulfilling its social responsibilities. We actively participate in philanthropy, sharing the benefits of corporate development with society, creating long-term social value for the enterprise, and giving back to the community through tangible actions. We integrate philanthropy into our daily operations and development strategies, spreading warmth and strength, and promoting social progress.

On January 26, 2024, the Company donated CNY 10,000 to the Enshi Charity Federation.

In May 2024, the Company sponsored the 2024 "En BA" Heno Cup basketball tournament of Enshi Prefecture, with a total sponsorship of CNY 234,746.

Indicators

In 2024, the Company issued a total of 33 customer satisfaction questionnaires, of which 32 were returned—4 more than the previous year—resulting in a customer satisfaction rate of 95.81%. Additionally, the Company received no customer complaints throughout the year.

In 2024, a total of 146 batches of finished products were tested, an increase of 44 batches compared to 2023, with a year-on-year growth rate of 43.1%. There was only one return, and the one-time pass rate of testing reached 99.3%.

GROWING INTO A GREEN, ECO-FRIENDLY ENTERPRISE CHARACTERIZED BY BLUE SKIES, GREEN LANDS, CLEAR WATERS, AND CLEAN AIR

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

Using 2024 as the baseline year, we pledge to achieve an 8% annual reduction in GHG emission intensity across production processes by 2027. Through systematic process optimization, energy efficiency measures, and active replacement of fossil fuels with renewable energy, the Company is implementing a holistic strategy to realize its decarbonization goals.

We have developed the following clean energy development plan:

(1) Rooftop and Parking Lot Photovoltaic Power Generation Project: The Company is constructing a photovoltaic system for rooftops and parking lots, aiming to cover 100% of parking lots and rooftops by 2025 with a total installed capacity of 450kWp. It is expected to generate approximately 3,555 million kWh of electricity annually.
(2) Direct purchase of green electricity: The Company plans to purchase 10% biomass power generation quota through the Hubei Electric Power Trading Center from 2025 onwards.
(3) Utilization of steam waste heat: Heno will install waste heat recovery devices in the fermentation workshop, using waste heat above 60°C for the pure water preparation system. It is expected to save 1,500 tons of steam consumption annually.

In addition, we are making every effort to tackle challenges and are implementing various measures to improve the energy efficiency of the production process:

(1) Key Equipment Renovation: An investment of CNY 3 million has been made to purchase a triple-effect concentration system, with all temperature controls utilizing fuzzy PID control technology to reduce refrigeration energy consumption by 20%.
(2) Intelligent Energy Monitoring: A workshop-level energy consumption monitoring platform has been deployed to implement dynamic load adjustment for energy-intensive equipment such as air compressors, cooling systems, and distillation heating systems.
(3) Cooling Water System Optimization: The cooling water system has been optimized, resulting in energy savings of 180,000 kWh.

We are also actively managing our carbon footprint and promoting the construction of a green supply chain:

(1) Carbon footprint management: Establish a carbon labeling system for major enzyme products, aiming to complete carbon footprint accounting and certification for amylase by 2024.
(2) Green supply chain: Prioritize the procurement of equipment from suppliers with ISO 50001 certification, with the goal of increasing the proportion of green procurement to 40% by 2025.

In addition, we provided training on GHG verification management systems, management manuals, and procedural documents for department heads and above. We also organized training on energy conservation and carbon reduction for all employees, covering topics such as energy management policies, operational standards, and case studies, promoting green office actions, and cultivating a low-carbon culture.

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 operationalexpenditures.
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

We strictly adhere to national and local environmental regulations, establishing a dynamic monitoring mechanism for policies to continuously track the evolution of the 'double carbon' policy, ensuring operational compliance.
We have developed the Energy Management System Manual, implementing a three-pronged emission reduction strategy focusing on energy structure transformation, energy efficiency enhancement, and green technology innovation.
We actively identify relevant laws, regulations, and disclosure requirements.
We establish a management system for environmental data information such as GHG emissions and conduct annual carbon inventories, verified by third-party organizations.
We benchmark against mainstream disclosure standards to enhance our sustainability-related reporting.
We ensure that environmental protection and low carbon governance are emphasized during both the construction phase and the production phase.
We actively promote green development in factories.
We have completed small-scale process development for the natural nicotine raw material project in 2024, and have undertaken the construction of the technical system and production facilities, as well as trial production, obtaining pharmaceutical production license qualifications. The drug registration materials will be submitted in 2025, with an expected achievement of mass production scale by the end of 2025.
We have released third-party verified ESG reports for three 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

We calculate GHG emissions based on the requirements of the Methodology and Reporting Guidelines for Greenhouse Gas Emission Accounting in Other Industrial Sectors (Trial) and have the board conduct a review to ensure data quality. In terms of transparency, the Company shares GHG emission data with all employees to promote everyone's participation in emission reduction efforts.

In addition, in accordance with the requirements of the Interim Regulations on the Administration of Carbon Emission Trading (Order No. 775 of the State Council of the People's Republic of China), the 14th Five-Year Plan for Controlling Greenhouse Gas Emissions (2021 No.31), and other documents, we publicly release the Greenhouse Gas Emission Verification Report and the Product Carbon Footprint Audit Report through Heno's website and annual ESG reports. In the future, we will continue to disclose the GHG emission verification reports and carbon footprint audit reports.

2024 Product Carbon Footprint Certification and Greenhouse Gas Verification Certification

2024 Product Carbon Footprint Certification and Greenhouse Gas Verification Certification

◇ The GHG emission data from 2023 to 2024 is as follows.

Indicator	Unit	2023	2024
Total Scope 1 GHG emissions	tCO_2e	807.6914	3603.49258
Total Scope 2 GHG emissions	tCO_2e	618.9637	3429.4118
Total GHG emissions	tCO_2e	1426.6551	7032.90438

Note 1: The sources and references for the emission factors mainly include the IPCC 2006 Guidelines for National Greenhouse Gas Inventories; the National Development and Reform Commission's 2015 Guideline for the Accounting and Reporting of Greenhouse Gas Emissions from Other Industrial Enterprises (Trial); the announcement jointly issued by the Ministry of Ecology and Environment, the National Bureau of Statistics, and the National Energy Administration on January 21, 2025; the release of the carbon footprint factor data for electricity in 2023, which specifies the average national electricity carbon footprint factor as 0.6205 kgCO2e/kWh; as well as emission factors directly obtained from suppliers or customers and those provided by related external databases, such as Gabi. The GWP values used in the calculations are referenced from the IPCC's Sixth Assessment Report (AR6).

Note 2: As the Scope 3 GHG emission data cannot be collected due to the scope's inherent complexity, such data are not presented herein.

Compared to 2023, the Company’ s GHG emissions in 2024 have increased. This is due to the Company’ s relocation in 2023, which caused instability in greenhouse gas emissions. Additionally, in 2024, the Company undertook a series of process explorations, leading to higher greenhouse gas emissions. It is expected that in the future, as manufacturing processes mature and energy-saving and emission reduction measures are implemented, the Company’ s GHG emissions will stabilize.

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: Flotation → Upflow Anaerobic Sludge Blanket (UASB) → Oxic Treatment → Anaerobic-Oxic (AO) → Primary Multiphase Catalytic Oxidation → Hydrolytic Acidification → Secondary Oxic 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.

Air Quality Management

The Company’ s primary emissions include process gases from production, tank farm working and standing emissions, and odorous gases from wastewater treatment facilities. In order to reduce the pollution caused by waste gas emissions and fulfill environmental protection responsibilities, the Company continues to increase investment and implement a comprehensive waste gas treatment plan:

Prevention of Air Pollutant Emissions	We continue to improve the process and reduce the use of solvent oil per unit product to prevent and reduce VOC emissions from the source. In 2024, the Company consumed 1.69 tons of solvent oil per ton of finished product, a decrease of 2.04% compared with 2023 (1.73 tons). In addition, the API project team of the Company made all-out efforts for technological breakthroughs, greatly optimized the process, and reduced the solvent oil consumption from 198kg to 2.4kg without changing the equipment, greatly reducing the safety risk and production cost. During the reporting period, we installed dust collectors and dust removal blowers in the workshop to reduce dust emissions during production.
Air Treatment System	The organic waste gases from production processes undergo a multi-stage treatment system—including a three-stage spray absorption tower, mist eliminator, activated carbon adsorption, and UV photolysis—to ensure compliance with the Table 1 of Air Pollutant Emission Standard for Pharmaceutical Industry (GB 37823-2019). Treated emissions are then released through a 15-meter exhaust stack. The air extraction system collects tank farm emissions (working and standing losses) along with wastewater treatment facility odorous gases, directing them through a secondary spray absorption tower followed by UV photolysis treatment. This ensures compliance with the special air pollutant emission limits specified in Table 2 of the Air Pollutant Emission Standard for Pharmaceutical Industry (GB 37823-2019), with final discharge through a 15-meter exhaust stack. We conduct regular organized emission quality monitoring, analyzing key indicators including particulate matter (PM), non-methane total hydrocarbons (NMHC), benzene series compounds, and nitrogen oxides (NOx) to ensure full compliance with regulatory requirements. During the reporting period, the Company completed 12 organized emission quality sampling tests, and the test results were publicly disclosed on Heno’s official website.

Fugitive Emission Control

In terms of fugitive emission control, the Company strictly implements the leak detection and repair (LDAR) plan and carries out a large-scale shutdown maintenance once a year. In daily production and operation, the Company uses the digital factory platform for maintenance, inspecting and timely handling equipment problems including component leakage.

The Company has also developed a Equipment Inspection and Maintenance Plan, requiring the equipment usage workshop to actively organize employees to conduct leak detection and leakage prevention work, establish a leakage record for equipment and pipelines, and promptly eliminate equipment leak points. For leakage points that cannot be eliminated in a timely manner, a "leak point" tag is to be hung and registered.

The Company ensures the construction quality of pipeline sealing points to reduce fugitive emissions. The Company has established automatic monitoring systems for major pollutants such as VOCs, H2S, and NH4 at the waste gas discharge outlets, to ensure that the discharged waste gas meets the relevant requirements of the Air Pollutant Emission Standard for Pharmaceutical Industry (GB 37823-2019).

We regularly carry out quality monitoring of fugitive emissions, analyzing indicators such as non-methane total hydrocarbons (NMHC), benzene series compounds, and hydrogen chloride, to ensure that emissions comply with regulatory requirements. During the reporting period, the Company completed 2 fugitive emissions sampling tests, and the test results were publicly released on Heno's official website.

Case Study

Air Quality Monitoring Station

Heno has established two air quality monitoring stations on its east and west sides. These stations are equipped with NO-NO2-NOx analyzers, SO2 analyzers, and particulate matter analyzers for PM2.5 and PM10. Using ultraviolet fluorescence, chemiluminescence, infrared gas filtration, and Ultraviolet–visible spectroscopy methods, they provide real-time monitoring of conventional gaseous pollutants (SO2, NO2, H2S, NH3, H2S), particulate matter (PM2.5 and PM10) and meteorological parameters (humidity, temperature, wind direction, wind speed, and atmospheric pressure).

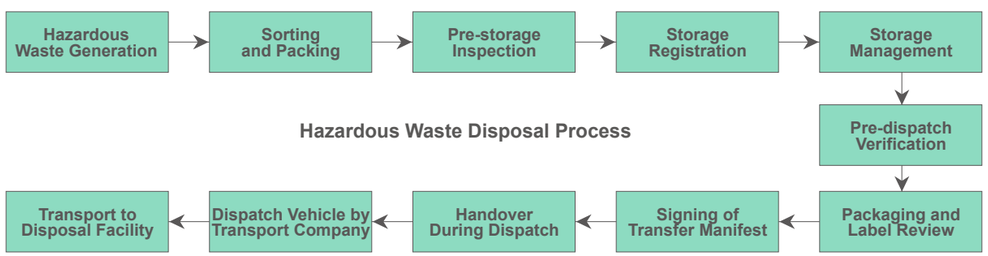
Hazardous Waste Management

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.

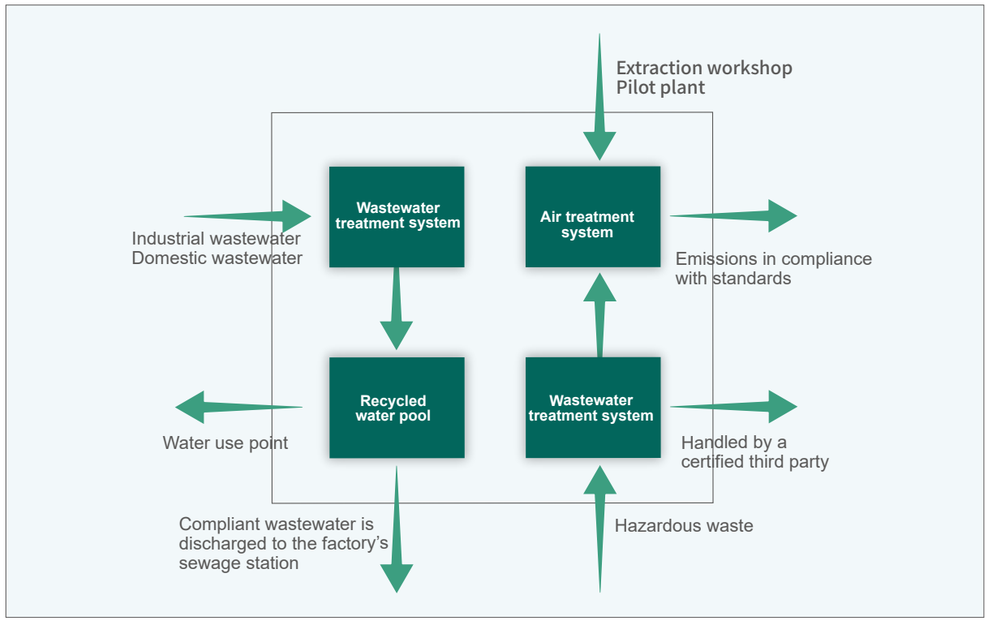
Heno designed environmental protection workshops in accordance with the principles of reduction, resource utilization and harmlessness. We continue to improve the process, use less toxic raw materials such as ethanol to replace more toxic methanol and isopropanol. The raw materials applied are less toxic,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



Hazardous Waste Disposal Process



Eco-Friendly Workshop

General Waste

Heno's general waste includes industrial residues (general industrial solid waste from production) and domestic waste. We standardize the management of industrial waste and transfer it to specialized stations for recycling and reuse. Domestic waste is collected daily and regularly transported to disposal stations..

Metrics and Targets

During the reporting period, the Company' s emission monitoring results consistently outperformed national standards, with continuous automated exhaust gas monitoring ensuring full-year compliance. Below are the organized emission data for 2024:

	Non-Methane Total Hydrocarbons (NMHC)	Ammonia (NH_3)	Particulate Matter (PM)	Nitrogen Oxides (Nox)
2024 organized emission (kg)	2190.47856	1613.3832	461.622	805.7064

During the reporting period, the Company treated a total of 8.959 tons of hazardous waste.

Waste Activated Carbon	Waste Alkaline Solution	Waste Mineral Oil	Waste activated carbon
5.87t	3.039t	0.05t	4.76t

We are committed to researching, developing and promoting environmentally friendly products, reducing energy consumption of customers during use, and reducing the environmental impact of the product throughout its life cycle.

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.

For major hazard sources, the Safety Management Department comprehensively identifies them in accordance with the Identification of Major Hazard Sources of Hazardous Chemicals (GB18218-2018). We have also established regulations and safety operating procedures for the management of major hazard sources, which are supervised by the Safety Management Department and relevant teams for implementation. Each department organizes a hazard identification and assessment every month to inspect the control measures for risk hazards. The Safety Management Department formulates the Annual Hazard Identification and Risk Assessment Work Plan at the beginning of each year.

In terms of emergency plan management, the Company strictly follows the requirements of relevant national laws, regulations, and documents such as the Environmental Protection Law and the Emergency Response Law to prepare and complete the Emergency Plan for Sudden Environmental Events. This plan includes emergency response measures for environmental pollution caused by the leakage of hazardous materials and toxic substances, as well as scenarios involving fires and explosions due to flammable material leaks, and has been filed with the ecological environment department.

In terms of capacity building, according to the Emergency Plan for Sudden Environmental Events, the Company formulates a drill plan at the beginning of each year. Based on the key points of accident prevention, it organizes at least one comprehensive emergency plan drill or special emergency plan drill every year, and at least one on-site disposal plan drill every six months. By simulating real accident situations, employees are able to master emergency response procedures and disposal skills proficiently in the drills. In 2024, the Company carried out 14 emergency drills in total and cooperated with superior departments to carry out 2 emergency drills.

In addition, we have conducted specialized training on hazardous chemical safety management for key personnel in safety management, production, and warehousing. This training emphasized the safety management requirements for the identification, storage, use, and emergency handling of toxic and hazardous substances. During the reporting period, a total of 12 professionals received this training.

Environmental Certification

The Company has successfully obtained the ISO 14001:2015 environmental management system certification, which is issued by the Quality Assurance Center of China Association for Quality and effectively covers all aspects of Heno's production and operations.

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' demands for the environmental safety of our products. Through the customer satisfaction tracking mechanism, we conducted a survey on 32 customers, and the results showed that the comprehensive score of customers for the environmental safety of our products reached 9.75 out of 10, reflecting our excellent performance in environmental compliance management.

Looking to the future, we will continue develop a green supply chain, fulfill environmental responsibilities. We plan to increase the proportion of green procurement to 40% in 2025.

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 2024, a total of 28 employees have undergone training, enhancing the overall awareness and participation in energy conservation.

Metrics and Targets

Energy Utilization Indicators

The Company's energy consumption during the reporting period was distributed as follows across energy sources:

Energy Type	Unit	2023	2024
Electricity	kWh	1085330	6940000
Natural Gas	m3	363057.68	1640000
Diesel	L	8523.52	19328

Note: The energy used for production and office work is solely electricity, natural gas, and diesel, with no other forms of energy consumption.

Compared to 2023, the Company' s energy consumption in 2024 has increased. This is due to the Company' s relocation in 2023, leading to unstable energy consumption. Additionally, in 2024, the Company carried out a series of process explorations, resulting in higher energy consumption. It is expected that in the future, as the manufacturing process matures and energy-saving and emission-reduction measures are implemented, the Company' s energy consumption will stabilize.

Energy Utilization Goals

Energy transition goals: Based on the energy consumption data in 2024, the Company plans to achieve breakthroughs in two key indicators by 2027. On the one hand, by accelerating the construction of photovoltaic projects and purchasing biomass power, the proportion of renewable energy in total energy consumption will be increased to over 15%; on the other hand, through a series of measures such as optimizing production processes, replacing with efficient equipment, and upgrading energy management systems, the comprehensive energy consumption per unit of product will be reduced by 10% compared to the 2024 level.

To achieve the above goals, the Company has developed a clear roadmap for clean energy. We are currently accelerating the construction of distributed photovoltaic power generation projects. According to the plan, by 2025, we will achieve full coverage of photovoltaic facilities in all parking lots and usable rooftop areas, with an estimated annual power generation capacity of 3,555 million kWh. At the same time, the Company plans to purchase biomass power generation quotas equivalent to 10% of the total electricity consumption annually from the Hubei Electric Power Trading Center starting in 2025, continuously increasing the proportion of renewable energy usage. In addition, we plan to install a heat recovery system in the fermentation workshop to utilize waste heat above 60 ° C for the pure water preparation system, which is expected to save 1,500 tons of steam consumption annually. Heno also plans to optimize the cooling water system, which is expected to save an average of 180,000 kWh of electricity annually.

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 Reuse

In order to improve the utilization of water resources and reduce the generation of wastewater, the Company has established a circulating cooling water station, with a circulating cooling water capacity of 200 tons per hour. Key equipment employs a closed-loop water circulation cooling system, while other equipment utilizes a clean circulating cooling water system. The circulating cooling water is not discharged but is periodically supplemented with fresh water.

90% of all production wastewater within the factory boundary (such as in extraction and refinement processes) is recycled, resulting in a total water savings of 14,030 m^3 throughout 2024.

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 main tasks of the rainwater regulation system established by the Company include: first, the daily collection and qualified discharge of rainwater; second, ensuring the smooth discharge of rainwater during the flood season; third, the collection and storage of rainwater in the event of an incident. The Company has built a preliminary rainwater reservoir to receive initial rainwater, which can also temporarily store rainwater that cannot be discharged in a timely manner during heavy rain. The first 20mm of initial rainwater is directed into the initial rainwater collection pool, while later rainwater is discharged after meeting monitoring standards. Non-compliant rainwater is redirected into an emergency pool for temporary storage and then pumped to the sewage treatment station for discharge only after meeting standards.

◇ Groundwater Environmental Risk Prevention

Our groundwater protection strategy follows a comprehensive "source-to-response" approach, integrating source control, zonal containment, real-time monitoring, and emergency preparedness to manage pollutant risks across all stages—from generation and infiltration to diffusion and mitigation. The Company enforces stringent controls across processes, pipelines, equipment, and wastewater storage/treatment systems to eliminate leaks, spills, or fugitive emissions, ensuring minimal risk of environmental contamination.

The plant area employs a hierarchical anti-leakage system, with strict anti-leakage measures applied to the ground. Accidental wastewater is promptly collected via leak-proof ditches into accident ponds to prevent infiltration and pollution of shallow groundwater in the project area. The design also features above-ground sewage pipelines, visualized underground pipelines, and groundwater monitoring points to safeguard against groundwater contamination.

During the reporting period, we established 2 monitoring points—one within the factory area and another within a 1-kilometer radius of the factory boundary—and entrusted a third-party testing institution to conduct systematic testing on 11 key indicators (including pH value, turbidity, total hardness, and nitrates), with all results meeting the standards.

Metrics and Targets

◇ Water Use Indicators

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.

◇ 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 has introduced reusable plastic containers, replacing the original packaging of fluorinated bottles and cartons. This initiative allows for recycling and reusing containers, reducing safety risks from cardboard boxes during product transportation, and increasing the recycling rate of packaging materials, thereby lowering annual carton usage.

Recycling of Non-Conforming Products

With regards to residual products in filling line conveying pipes, the Company strictly enforces the Filling Safety Operation Procedures. Operators collect all pipe residues into specialized recovery barrels, accurately weigh them, document details in the Defective Product Handover Form, and transfer the materials to the refining workshop for reprocessing. In 2024, the Company recovered and processed 5,418 kg of non-conforming products, achieving 100% recycling.

Metrics and Targets

During the reporting period, the nicotine raw materials used in the Company’ s production were all agricultural waste that had been recycled and reused, totaling approximately 32,809 tons. The Company’ s products are fully consumed during use, and they have a minimal environmental impact at the end of their product life.

In 2024, all tobacco residue (internal waste) generated by the Company was sold to fertilizer manufacturers for recycling into organic fertilizers. The sales volume of tobacco residue reached 60,072.29 tons in 2024, marking a 418.97% increase from 2023.

During the reporting period, the Company generated 1.075 tons of waste woven polyethylene bags, which were all transferred to an external recycling station for processing.

The Company commits to waste reduction and harmless management. We will continuously optimize production process design and prioritize the use of environmentally friendly raw materials. Through technological innovation, process optimization, and employee capacity building, Heno will continuously improve its waste management system to ensure that all types of waste are properly stored, transferred in compliance with regulations, and safely disposed of. It will also actively explore waste recycling approaches to minimize landfill disposal.

Feedback Questionnaire

Dear Readers,

Thank you for taking the time to read Heno Biological Engineering Co., Ltd.' s 2024 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: