



Head Group

2024

Sustainability Report

Shandong Head Group Co., Ltd.



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



www.sdhead.com

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About the Report

This report is the Sustainability Report issued by SHANDONG HEAD GROUP CO., LTD. (hereinafter referred to as "Head Group", "Head", "the Company" or "we"). Compiled in accordance with the principles of objectivity, standardization, transparency and comprehensiveness, this report details the Company's sustainability practices and performance in 2024.

Report Scope

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

Reporting Period

This report covers the period from January 1 to December 31, 2024 (the "reporting period"). In order to enhance the comparative and forward-looking nature of this report, some of the contents are presented in a retrospective or forward-looking format where appropriate. This report is issued on an annual basis, in line with the financial year.

Reference Standard

- Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 17 – Sustainability Reporting
- China Enterprise Reform and Development Society "Corporate Sustainability Reporting Guidelines (CASS-ESG 6.0)"
- Global Reporting Initiative (GRI) "GRI Sustainability Reporting Standards (GRI Standards)"
- United Nations Sustainable Development Goals (SDGs)
- Sustainability Accounting Standards Board (SASB) Standards

Data Description

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

Items Description

Item	Definition Content
Head Group, Head, the Company or We	SHANDONG HEAD GROUP CO.,LTD.
Healsee, Healsee Capsule, Healsee Capsule Division	SHANDDONG HEALSEE CAPSULE LTD.
Gaoqing Plant, Gaoqing, Head Polymer	ZIBO HEAD POLYMER MATERIALS CO., LTD.
Zofu Head	SHANDONG ZOFU HEAD NEW MATERIAL CO., LTD.
Carbon Energy Technology, Head Carbon Energy Technology	SHANDONG HEAD CARBON ENERGY TECHNOLOGY CO.,LTD
MetaMeat	METAMEAT (SHANGHAI) FOOD TECHNOLOGY CO., LTD.

Report Confirmation and Approval

This report was approved by the Company's Board of Directors on April 25, 2025, and published concurrently with the Annual Report. The Board of Directors undertakes to monitor the content of the report and ensure that it does not contain any false information or misleading statements, and takes responsibility for the truthfulness, accuracy and completeness.

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

Report Acquisition

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

Messages from Chairman



"Making human beings healthier and the environment more friendly" is the development vision that Head has always adhered to and strived for. While continuously promoting the company's business development, we are also envisioning how to build a better, fairer, and more sustainable future.

In the past year, the global economy has struggled amidst multiple challenges. Geopolitical conflicts have continued to escalate, and regional tensions have intensified market volatility and supply - chain risks. According to data from the International Monetary Fund (IMF), the global economic growth rate slowed to 3.2%. Meanwhile, the impacts of climate change have become even more prominent. The year 2024 became the warmest year on record, with frequent extreme weather events reminding us more than ever that we need to work together to contribute to a more sustainable environment.

Facing the complex and volatile external environment and increasingly fierce market competition, the company's management has taken proactive and effective actions to ensure that the company's strategy always focuses on meeting customer needs, promoting corporate development, and providing more long - term value for our business.

We are unwaveringly advancing globalization. Targeting key overseas strategic markets in Europe, North America, and South America, we are accelerating market development and penetration by hiring local market experts and seeking strategic partnerships. In 2024, we joined forces with IMCD, a global leader in chemical distribution, to further deepen our presence in the global market and provide customers with more convenient and efficient services. At the same time, we are also focusing on technological improvement, actively seeking and inviting overseas technical experts to join Head to continuously enhance our technological competitiveness. Globalization is an inevitable path for Head's development. We will continue to deepen our global layout to build international brand influence.

We are focusing on the innovation and improvement of products and technologies. In the field of cellulose ethers for building materials, we offer a diverse range of modified products to meet different customer needs and continue to penetrate high - end overseas markets. We have launched hydrophobically modified associative cellulose ether (HMHEC), specifically designed for high - quality latex paints, multicolor coatings, water - based industrial coatings, and other special applications. In the field of pharmaceutical cellulose ethers, our high - end coating products have achieved continuous breakthroughs, breaking the long - term reliance on imports for this product line. The performance of sustained - release products has been improved, and our cooperation with pharmaceutical companies has been continuously strengthened. In the field of vegetable capsules, following the second - generation capsules, we have introduced acid - resistant capsules, which are more suitable for drugs sensitive to gastric juice and can exhibit more excellent targeted or sustained - release effects, winning wide recognition from domestic and foreign customers. In the field of graphite equipment, we have launched a low - temperature flue gas waste - heat recovery system, which can effectively help power plant customers save energy and reduce consumption. Technology is the primary productive force, and innovation is the primary driving force for development. We will continue to strengthen technological leadership to shape the company's core competitiveness.

We pay more attention to the sustainable development of the company itself and the supply chain. The creation of sustainable values in environmental protection, social responsibility, and corporate governance is not only the company's development vision but also in line with the international community's goal of making the world a better place. We are firmly committed to improving corporate governance, continuously improving governance systems, consolidating the foundation of standardized governance, strengthening risk internal control management and audit supervision, and promoting a positive cycle of anti - corruption, risk prevention, and reform promotion. Aiming at the goals of "carbon peaking by 2030 and carbon neutrality by 2050", under the leadership of the Group's Sustainable Development Committee, we are focusing on key tasks such as improving production efficiency and energy conservation and consumption reduction to promote the company's green production and operation. In 2024, our Gaoqing Factory and Zhoucun Factory received the Silver and Bronze ratings from EcoVadis respectively, which indicates that Head's efforts in promoting environmental protection, establishing a sustainable business model, and enhancing supply - chain sustainability have won the recognition of global authoritative standards. We clearly recognize that sustainable innovation and profit growth are mutually reinforcing. Through a series of efforts, we will promote the company's high - quality development, create more value for our customers, employees, society, and shareholders, and bring more positive changes to the world.

Head's long - standing success comes not only from our control over products and our dedication to customers but also from our perseverance in achieving goals and our forward - looking layout for the future. It also comes from the dedication of our employees, the trust of our customers, the confidence of our investors, and the solid cooperation of our business partners. Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to all our stakeholders for their support and assistance in our business over the past year. I look forward to creating a better future together!

Mr. Jack BEE
Chairman, Head Group



About Head Group

Company Overview

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

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

Head Group is an international manufacturer of cellulose ethers and vegetable capsules, operating three major divisions: the Cellulose Ether Division, Healsee Capsule Division, and Carbon Energy Technology Division. With a presence in over 100 countries and regions globally, the Group has established joint ventures in Europe and the United States. It employs foreign experts in 13 countries, including India, Russia, Brazil, and Australia, to provide localized services to customers.

Our business scope covers mid-to-high-end cellulose ethers, vegetable capsules, graphite equipment, and related solutions, widely applied across industries such as construction materials, pharmaceuticals and food, health products, energy extraction, daily chemicals and detergents, papermaking and textiles, green energy, petrochemicals, metallurgy, and power.



Honors and Achievements

Top 500 Chinese Petroleum & Chemical Enterprise

Top 100 Shandong Private Enterprise with Innovation Potential

Shandong Province Manufacturing Single Champion Enterprise (Healsee)

Shandong Province New Material Leading Enterprise Top 50

Zibo's Top 100 Enterprise, Zibo's Top 100 Manufacturing Enterprise

Gaoqing Plant won EcoVadis Silver Medal, Zhoucun Plant won EcoVadis Bronze Medal

2024 International Green Zero - Carbon Festival "Sustainable Development Industry Model Award"

National Intellectual Property Administration "2024 Patent - Intensive Product Recognition"

Received Wind ESG "AA" Rating



Development History

Before Head

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

1972

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

1989

Renamed as "Zibo Graphite Chemical Equipment Factory"

Initial Stage

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

1992

Established "Zibo Head Co.,Ltd."

1993

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

1997

Renamed as "Shandong Head Co., Ltd."

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

Market Positioning

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

2000

Adjusted the industrial structure and started the R&D of "Cellulose Ether Series" product

300 tons/year cellulose ether production line was founded

2003

Cellulose ether products successfully entered the Southeast Asian market

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

2004

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

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

2005

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

Won the title of "Shandong Famous Brand"

2007

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

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

2009

Recognized as a national "High-tech Enterprise"

Won the title of "Shandong Famous Trademark"

2011

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

Rated as an "Innovative Growth Enterprise" in Zibo City

HPMC vegetable empty capsules were researched and developed independently

2012

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

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

2013

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

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

2014

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

Established a holding subsidiary -- Shandong Healsee Capsule Ltd.

European joint venture company established

2015

Passed FSSC22000, ISO 22000 food safety management system certification

Head's technology center was successfully established

Rapid Growth

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

2016

Listed on Shenzhen Stock Exchange

Established US branch

Established Shandong Province Cellulose Ether Engineering Laboratory

2018

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

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

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

Shanghai Hehan Biotechnology Co., Ltd. was established

2019

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

Recognized as "Shandong Province Chemical Key Monitoring Point Enterprise"

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

2020

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

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

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

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

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

Going Global

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

2021

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

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

Selected as "Double 100 Enterprise" in Zibo City

2022

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

Selected as "Top 500 Chinese Petroleum & Chemical Enterprise"

2023

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

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

Establish the Head Sustainable Development Committee

Awarded National Intellectual Property Capable Enterprise

Selected as "Top 100 Chinese Fine Chemical Enterprise"

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

2024

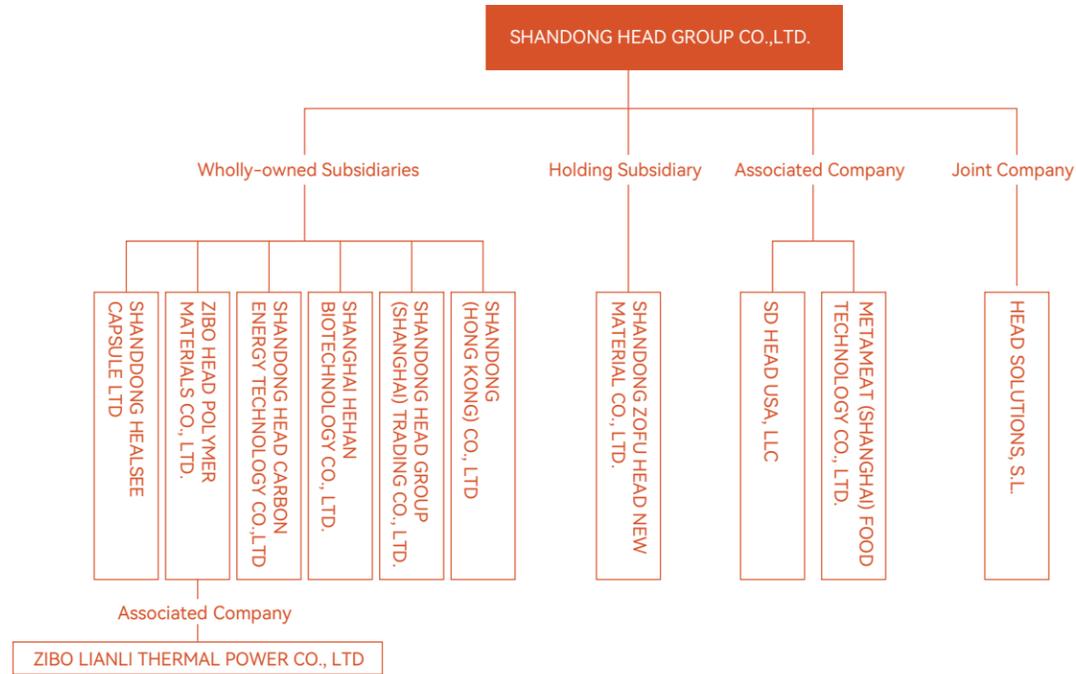
Cellulose ether and vegetable capsule sales volumes both reached all-time highs.

Entered into a strategic partnership with IMCD.

Gaoqing Plant and Zhoucun Plant respectively won EcoVadis Silver and Bronze Medals.

Healsee was recognized as a "Shandong Province Manufacturing Single - Champion Enterprise"

Shareholding Structure



Global Footprint

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



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

Business Layout



Cellulose Ether Division

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

Cellulose ether, an industrial additive with excellent film-forming, water-retaining and suspending properties, is dubbed "industrial monosodium glutamate", widely used in medicine, food, building materials and other industries. In medicine, it serves as premix for coating powder, skeleton for sustained-release & controlled-release preparations and in vegetable capsule production. In food industry, it's applied in plant-based meat, protein casing, plant cream and food additives. In green new building materials, it's used in plastering gypsum, putty powder, tile adhesive, sealant, coating and self-leveling materials.

Healsee Capsule Division



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



Carbon Energy Technology Division

Shandong Head Carbon Energy Technology Co., Ltd., a wholly-owned subsidiary of Head Group, focuses on the development and application of graphite anti-corrosion heat transfer and energy-saving technologies. Its main products include graphite heat exchangers, graphite furnaces, graphite towers, hydrochloric acid synthesis furnace systems, hydrochloric acid absorption systems, and hydrochloric acid stripping systems. It is a high-tech company integrating single-product design/manufacturing and overall system integration contracting. Inheriting the Group's over 30 years of experience in designing and manufacturing graphite equipment, the company is a member of the China Chemical Equipment Association, National Standardized Equipment Technology Association, and a governing member of the China Industrial Anti-Corrosion Technology Association. It holds national Class I and II pressure vessel manufacturing qualifications and is a drafting unit for equipment standards.



MetaMeat (Joint Stock Company)

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

Corporate Culture



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



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



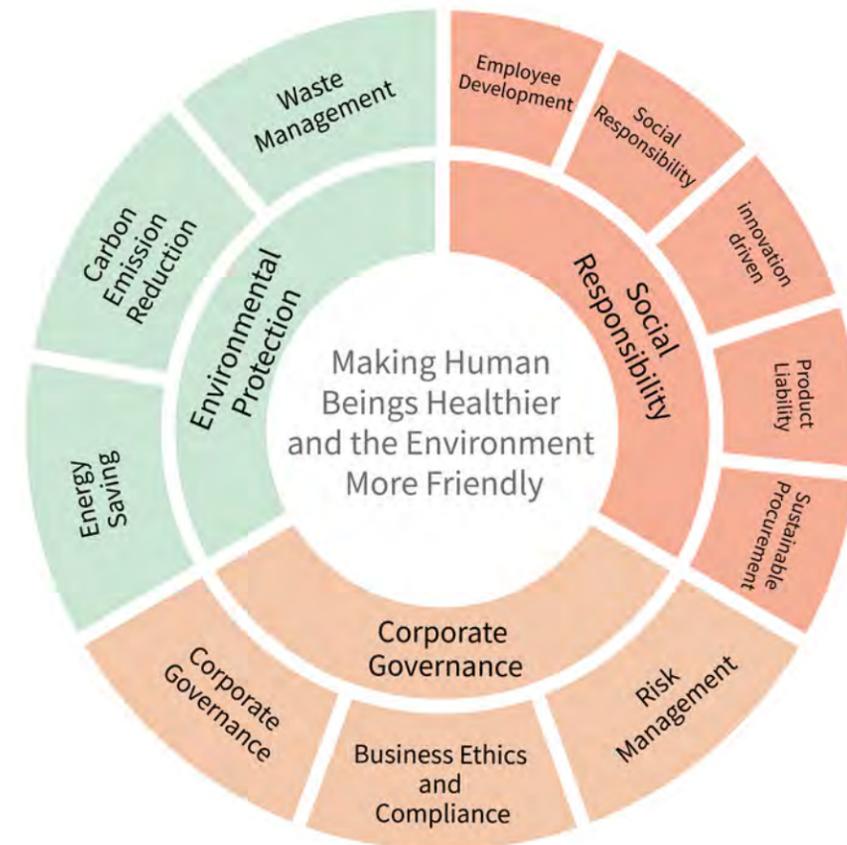
Head people strictly adhere to the behavioral and ethical guidelines. We incorporate innovative thinking in our work, foster a unique cultural consciousness and actively assuming social responsibility, share individual values and shape the brand image of Head.

Sustainability Development



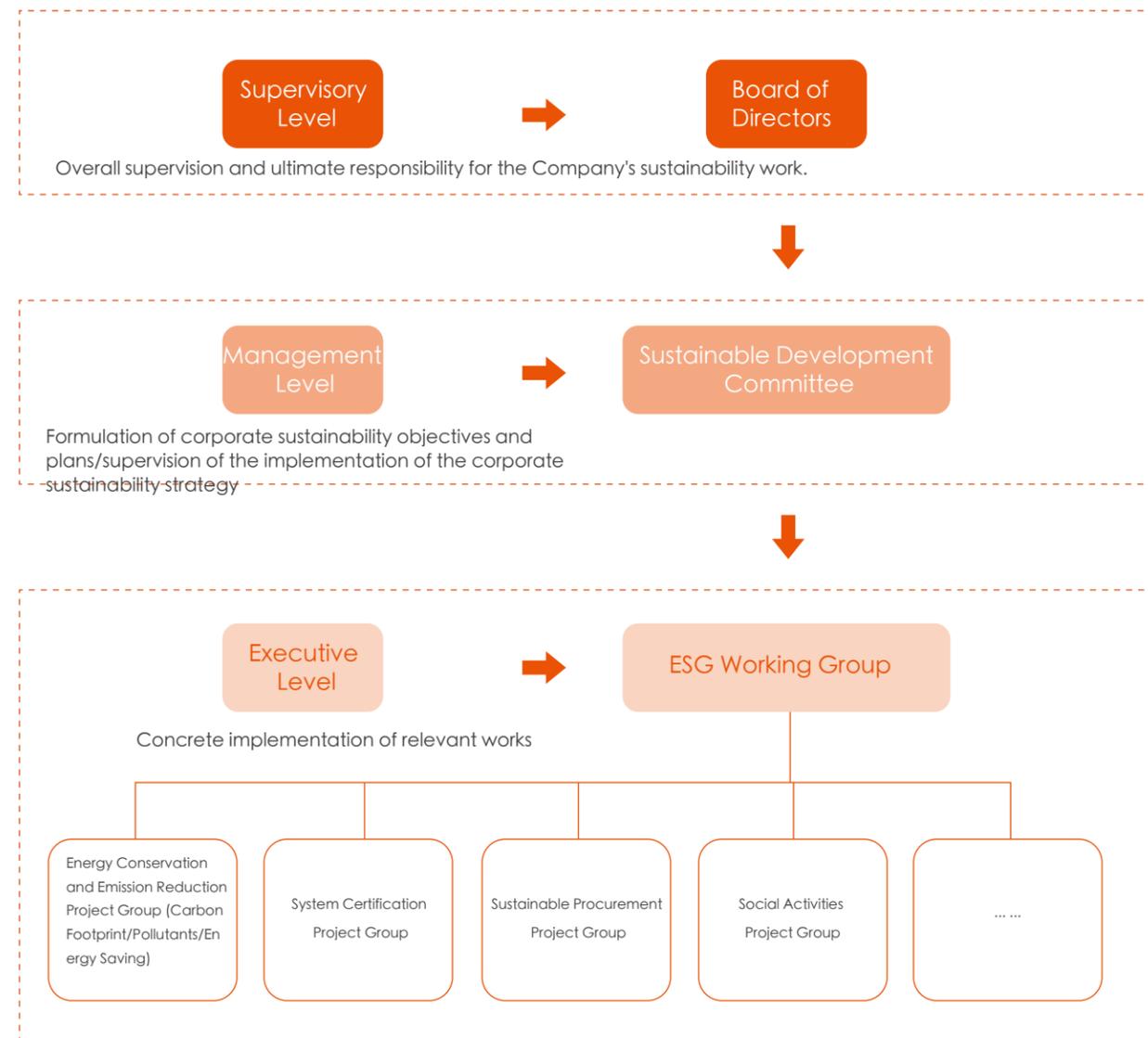
Sustainable Development Guidelines

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



Sustainable Development Structure

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



Sustainable Development Goals

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

Materiality Analysis

Stakeholder Engagement

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

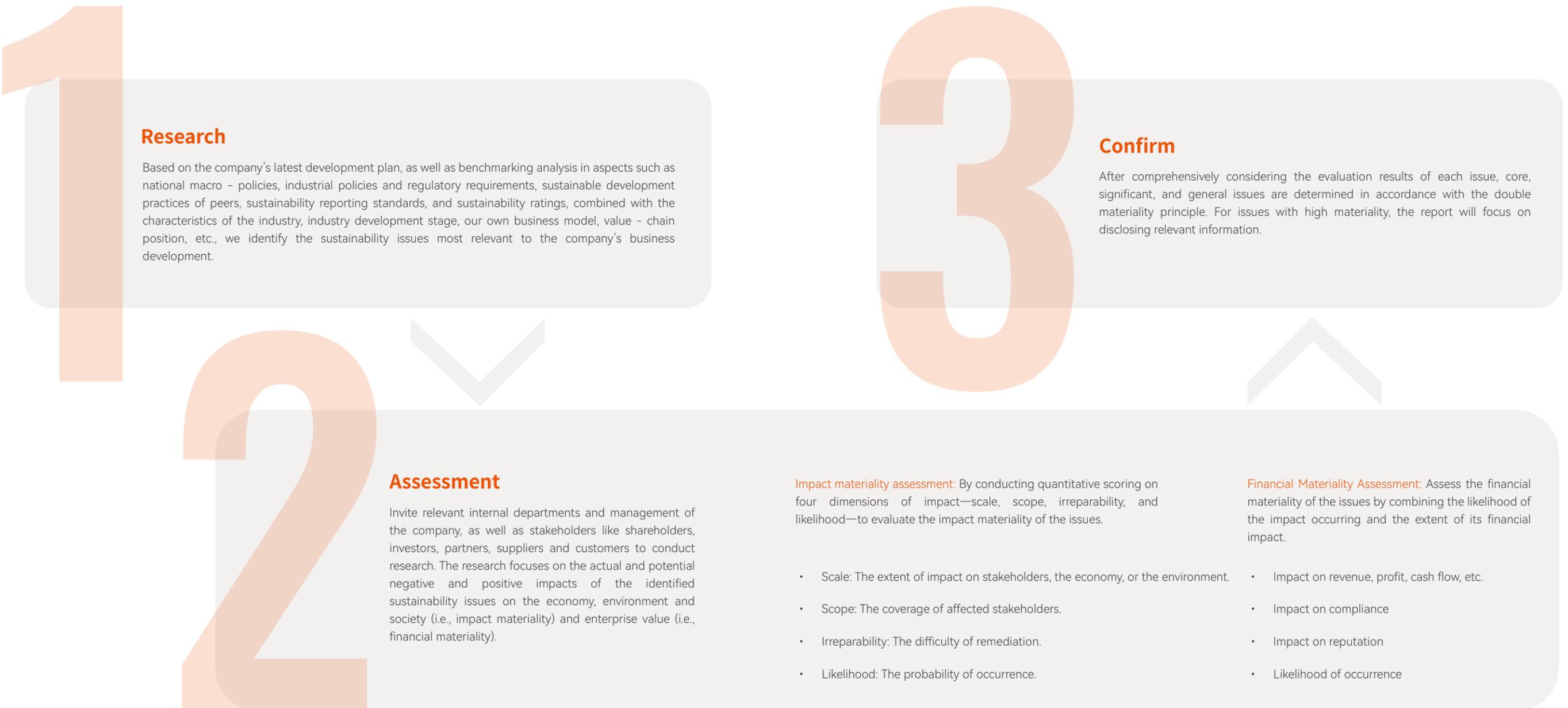
Stakeholders	Issues of Concern	Communication Method
 Government	Fair Competition Anti-corruption Business Ethics Risk Management and Compliance Operations Tax Payment and Job Creation	Daily Communication and Reports Seminars and Special Symposiums Policy Implementation Information Disclosure
 Shareholders/Investors	Business Performance Information Disclosure and Communication Mechanism Corporate Governance R&D Innovation Risk Management and Compliance Operations	The Shareholders' Meeting Financial Reports, Announcements Q&A on "HuDongYi" Platform Investor Hotline Performance Briefing
 Customers	Integrity Management Product Quality and Service R&D Innovation Climate Change Mitigation	Customer Satisfaction Survey Customer Visits and Meetings, Website, WeChat Official Accounts and Other Channels
 Employees	Occupational Health and Safety Employee Training and Development Diversity and Equality of Opportunity Respect for Human Rights	Employee Activities Occupational Health Monitoring Production Safety Management Regular Training
 Suppliers	Fair Trade Sustainable Supply Chain	Supplier Training Signing the Supplier Code of Conduct Report and Complaint Hotline
 Communities	Contributing to Community Development Community Welfare	Volunteer Communication Charitable Donation

Double Materiality Analysis

During the reporting period, the Company conducted its first double materiality analysis of sustainability issues. With reference to the Shenzhen Stock Exchange (SZSE) Guidelines and combined with professional methodological interpretation and guidance, we developed an analysis process, scoring methodology, and prioritization model to assess our impacts on the environment and society, as well as the sustainability-related financial risks and opportunities we face.

During this year, our double materiality analysis was primarily based on qualitative considerations, supplemented by quantitative assessments where feasible. In the future, we will continue to monitor policy updates, continuously improve the double materiality analysis process and methodology, and prudently apply quantitative assessment tools while reasonably gathering stakeholders' concerns and perspectives, in order to provide a scientific basis for our sustainability planning and even business decisions.

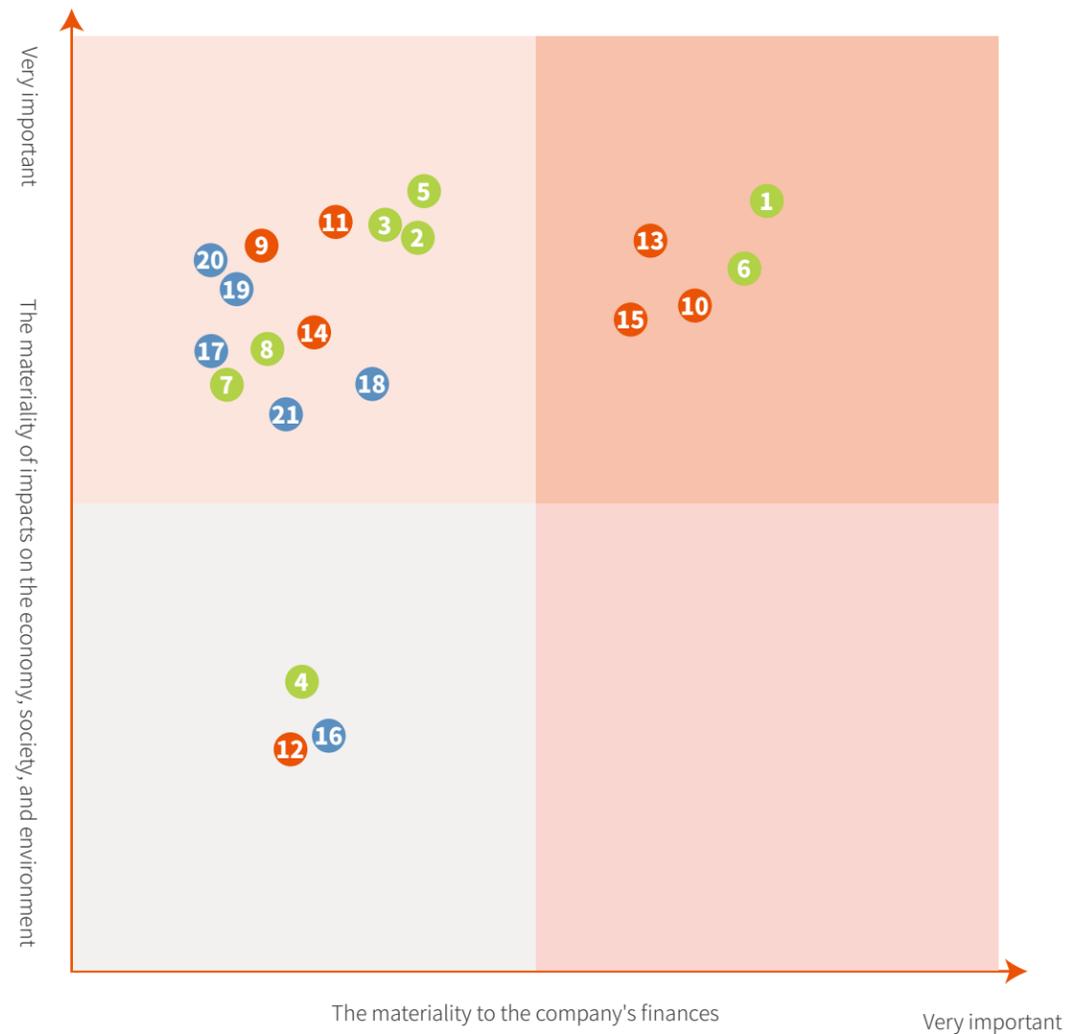
Stakeholder Engagement



Materiality Analysis Results

Based on the evaluation data from Step 2, we collaborated with multiple departments to review and confirm the assessment results. Using stakeholders' feedback as the foundation for the assessment, we conducted an in-depth evaluation of impact materiality and financial materiality, and determined issues that required adjustment by comprehensively considering the consistency between the assessment results and Head management's perspectives.

This process ultimately clarified the priorities for sustainability management, formed the final key issues list for information disclosure, and was reviewed and confirmed by the head Sustainability Committee. According to the double materiality assessment results, we have prepared the following double materiality matrix.



Both financial materiality and impact materiality	With financial materiality but not impact materiality
With impact materiality but not financial materiality	Neither financial materiality nor impact materiality



序号	议题
1	Climate Change Response
2	Pollutant Emissions
3	Waste Management
4	Ecosystem and Biodiversity Conservation
5	Environmental Compliance Management
6	Energy Use and Energy Conservation
7	Water Resource Utilization
8	Circular Economy



序号	议题
9	Social Contribution
10	Research and Development (R&D) and Innovation
11	Sustainable Procurement
12	Equal Treatment of Small and Medium-sized Enterprises (SMEs)
13	Product Liability
14	Data Security and Customer Privacy Protection
15	Employees



序号	议题
16	Due Diligence
17	Stakeholder Engagement
18	Anti-Bribery and Anti-Corruption
19	Anti-Unfair Competition
20	Governance Structure
21	Investor Relations Management

Building a Compliant and Stable Governance System

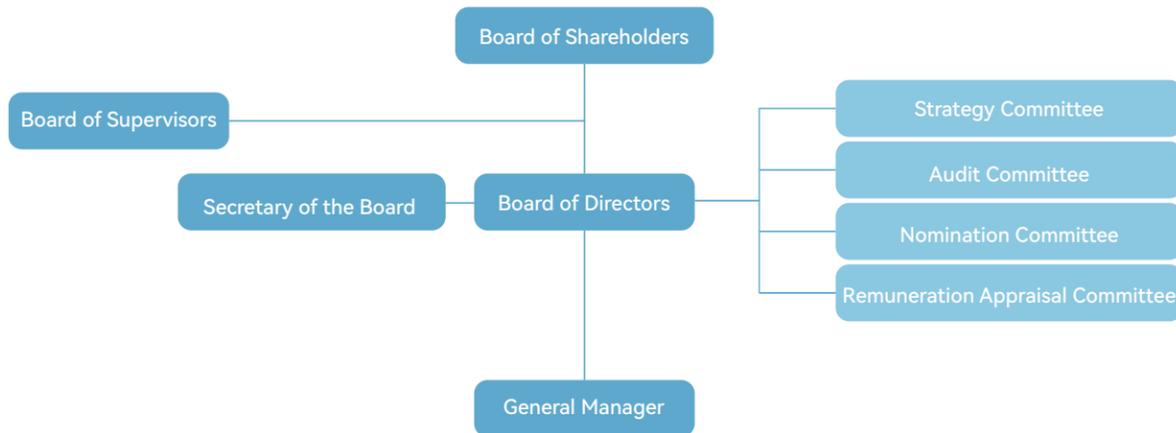
- Governance Structure
- Compliance Risk Control
- Ethical Business
- Investor Relationship

01

Governance Structure

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

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



○ Corporate Governance Structure

Governing Bodies Operation

Shareholders and Board of Shareholders

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

Key Performance

During the reporting period, the General Meeting of Shareholder's was held **4** times.

The Extraordinary General Meeting of Shareholder's was held **3** times.

A total of **23** proposals was adopted.

Directors and Board of Directors

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

Diversity on Board of Directors

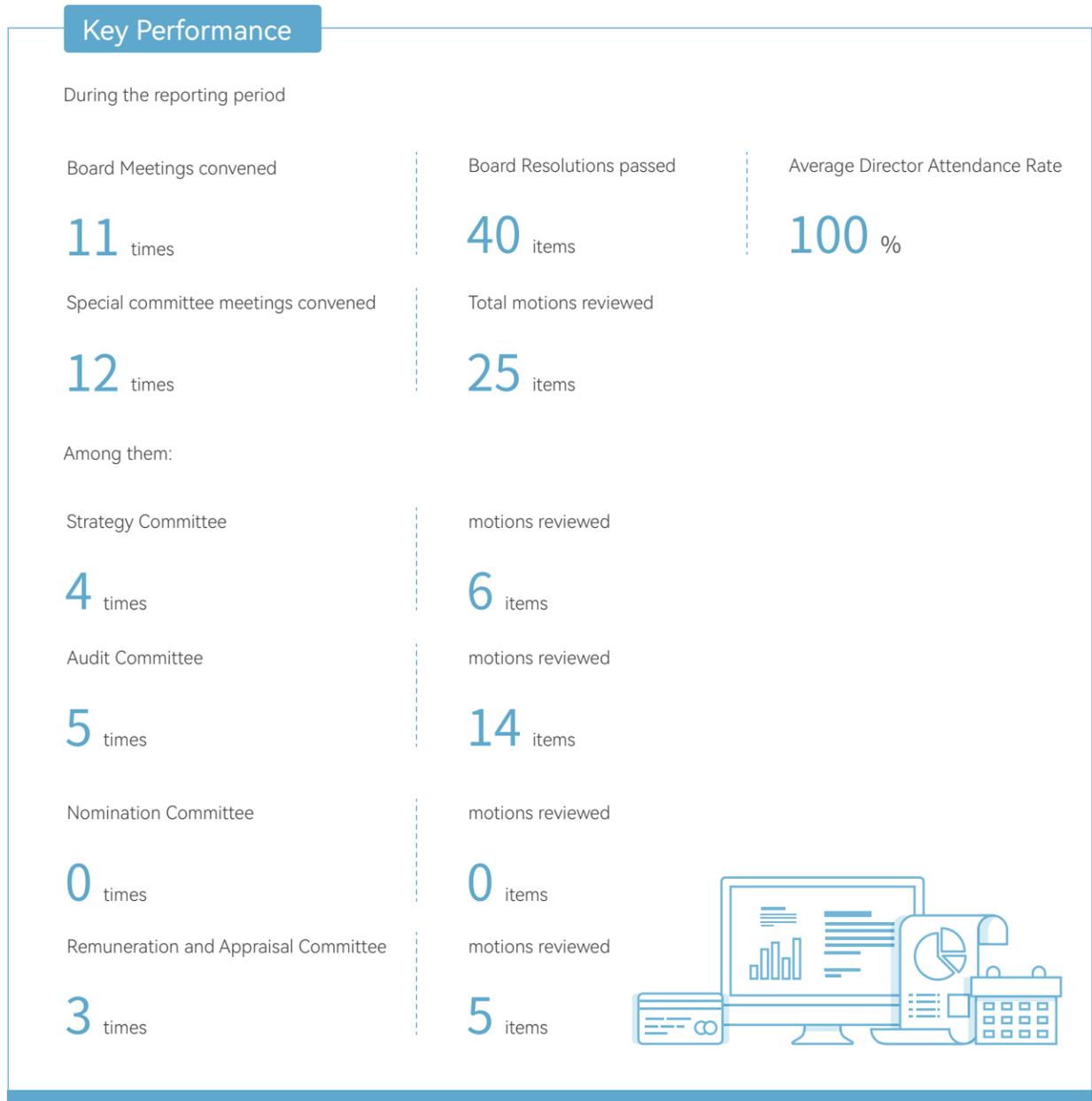
The Company focuses on the diversity of the Board of Directors, including but not limited to their positions held, age levels, cultural and educational backgrounds, professional experience, and skills. The present members of the Board of Directors actively use their respective expertise to support and guarantee the Company's decision-making, effectively optimizing the efficiency and quality of decisions. During the reporting period, independent directors account for **42.86%** of the Board members and **57.14%** hold a master degree.

Member		Unit	2024
Total Number of Board of Directors		Persons	7
Positions Held	Non-Independent Directors	Persons	4
	Independent Directors	Persons	3
Ages	41-50 Years Old	Persons	2
	51-60 Years Old	Persons	4
	61 Years Old and Above	Persons	1
Academic Career	Bachelor Degree	Persons	3
	Master Degree	Persons	4
Education Background	Management	Persons	2
	Accounting	Persons	2
	Law	Persons	1
	Engineering	Persons	2

Board Independence

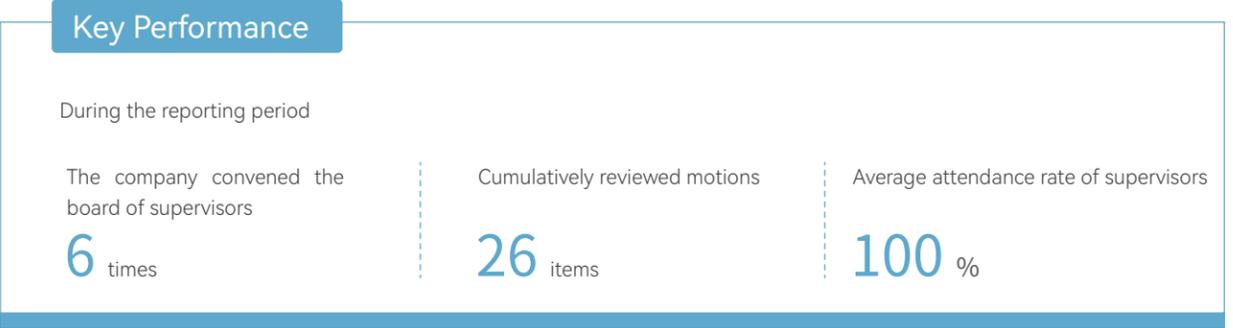
The Company attaches great importance to the independence of the Board of Directors and conducts related work in accordance with the requirements of the Independent Directors System and other internal control systems, contributing wisdom and strength to the steady development. The independent directors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

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



Supervisors and Board of Supervisors

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



Compliance Risk Control

Internal Control

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

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



Internal Audit & Reporting Process

Risk Management

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

Head Group Risk Management Sharing Training

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



Key Performance

During the reporting period

The company conducted internal risk training

5 times

Total

5 hours

Covering

117 person - times

Tax Management

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

Key Performance

During the reporting period

The actual tax paid by the company

CNY **116.09** million

No negative events such as tax evasion or tax leakage occurred

Related Party Transaction

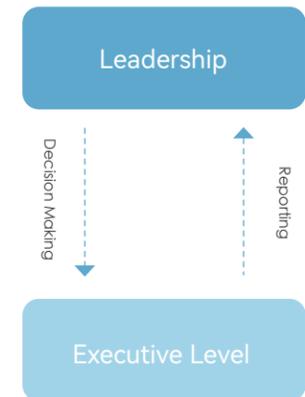
To ensure that transactions between Head Group and related parties are fair, impartial, and transparent, and to protect the legitimate rights and interests of investors particularly those small and medium-sized investors, the Company has established the Related Party Transaction Management System in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

Ethical Business

Anti-Corruption and Anti-Bribery Management

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

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



Head's Clean Governance Building Group

Anti-Corruption and Anti-Bribery Measures

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

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

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

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

Key Performance

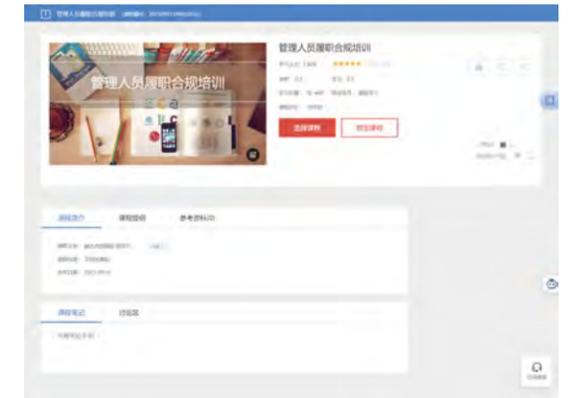
During the reporting period

the Letter of Integrity Commitment covered all employees, realizing a signing ratio of 100 %	the number of Integrity Agreement of the Cooperation Parties signed with partners exceeded 1000
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Head Group engaged an external law firm to conduct the Compliance Training for Managers in the Performance of Duties. All managers at the supervisory level and above are required to participate in the training activities through Head School, an online learning lecture hall.

Compliance Training for Managers in the Performance of Duties

The company organizes compliance - management training for managers (supervisors and above) of Hedda Group each year through a combination of online and offline methods, covering all managers. During the reporting period, managers at the supervisor level and above participated in compliance - related duty - training over 200 person - times, and the participation rate of managers in compliance - duty training reached 100%.



Anti-Monopoly and Anti-Unfair Competition

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

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

Anti-Monopoly and Anti-Unfair Competition Management

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

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

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

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

▶ No unlawful concentration of operators has been conducted.

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

Anti-Monopoly Targets for 2023

Target Achievement

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

✔ All Achieved

Key Performance

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



Anti-Fraud

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

Anti-Embezzlement

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

Anti-Money Laundering

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

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

Investor Relationship

Information Disclosure

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

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

Key Performance

During the reporting period, the Company disclosed **6** periodic reports and **108** temporary announcements to the public. There were **0** instances of penalties for violations in information disclosure.

Shareholder Return

Head Group focuses on corporate sustainable development, pays attention to returns to shareholders, strictly implements the profit - distribution decision - making procedures stipulated in the "Articles of Association", and has formulated the "Three - Year Dividend Return Plan (2022 - 2024)" to ensure that new and old shareholders obtain reasonable and stable investment returns and enhance the transparency and operability of profit - distribution decisions. In the past three years, the company has continuously implemented cash dividends each year, with a cumulative distribution of cash dividends of 223.26 million yuan.

Cash Dividends for the Last Three Years

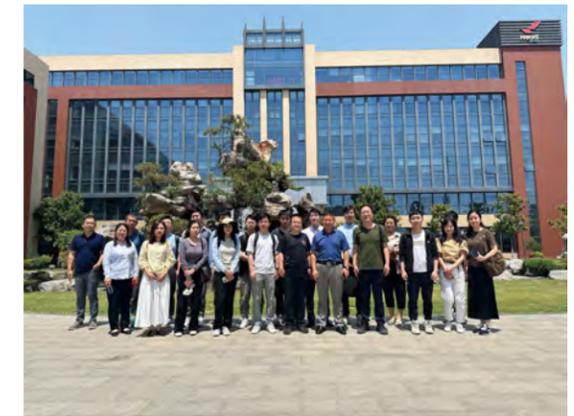
Indicator	Unit	2022	2023	2024
Cash dividends per 10 shares	CNY	3	2	1.5
Total cash distribution	CNY10,000	10,270	6,834	5,222
Proportion of net profit attributable to shareholders of the listed company in the consolidated financial statements	%	29.03	31.03	23.56

Investor Relationship Management

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

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

Performance Briefing



Key Performance

During the reporting period,

1 investor open communication sessions were held

224 investor calls were received

Investor Information Exchange Channel

Contact Name: Songling Bee

Tel: 0533-6696036

E-mail: hdzqb@sdhead.com

Contact Name: Lili Hu

Tel: 0533-6696036

E-mail: hdzqb@sdhead.com

Shaping an Eco-Friendly Future

- Addressing Climate Change
- Energy Utilization & Conservation
- Environmental Compliance Management

Addressing Climate Change

Climate Issue Governance

The company highly values climate - change risks, integrating climate - change response into strategic development plans, corporate governance systems, comprehensive risk - management systems, and daily operational management. Based on the Group's Sustainable Development Committee, a special climate - governance task force was established, directly supervised by the Group President, to coordinate the advancement of dual - carbon goals. The task - force's responsibilities include formulating climate policies, assessing risks and opportunities, coordinating cross - departmental resource allocation, and establishing an executive incentive mechanism linked to ESG performance.

When formulating the overall development strategy, the company fully considers climate - change risks, closely tracks national policies on carbon peaking and carbon neutrality, and promptly adjusts its development strategy and plans. Taking low - carbon development indicators such as energy conservation and consumption reduction as key monitoring indicators, it organizes energy - conservation and emission - reduction meetings quarterly to track the progress of such work in the Group and each business unit. Meanwhile, a special award for energy conservation and environmental protection is set up to reward units and individuals who have made outstanding achievements in energy conservation, emission reduction, and carbon reduction.

1 Sustainable Development Committee

Responsible for researching policies, strategies, and plans for key sustainable - development issues, including climate - change response. It supervises the commitments and performance of these key sustainable - development issues (including climate - change response), as well as annual plans and their implementation, and reports to and makes recommendations to the Board of Directors.

2 Management Layer

Under the comprehensive risk - management system, it identifies and assesses climate - change - related risks and opportunities, researches response measures, and reports to the Board of Directors and the Sustainable Development Committee.

3 Execution Layer

Implements the company's "dual - carbon" decisions, formulating the enterprise - level "dual - carbon" target action plan. It deeply implements energy - conservation and emission - reduction plans, strictly manages greenhouse - gas emissions and energy - efficiency targets, submits management reports quarterly, organizes the enterprise to carry out environmental - protection compliance inspections, and conducts special inspections on key environmental - protection tasks such as ecological - environment protection supervision and pollution - discharge permit compliance inspections.

Greenhouse Gas Emissions Related to Company Operations

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

Climate Action Strategy

The company vigorously promotes the green - development strategy, adhering to ecological priority, green transformation, and clean development, and unswervingly follows the path of green and low - carbon development. When formulating overall development strategies and major decisions, the company attaches great importance to international conventions such as the goals of the Paris Agreement and the 2030 Agenda for Sustainable Development, as well as policies issued by the Chinese government, such as the Opinions on Comprehensively and Accurately Implementing the New Development Concept to Achieve Carbon Peak and Carbon Neutrality and the Notice of the State Council on Issuing the Action Plan for Carbon Peak by 2030. It conducts research and analysis on the impacts of relevant policies, and carries out major special research projects when necessary to help the company better seize development opportunities and avoid risks.



Roadmap for Carbon Reduction Action

Scope 1: Actively Promote the Application of Green Technologies and Improve Energy Utilization Efficiency

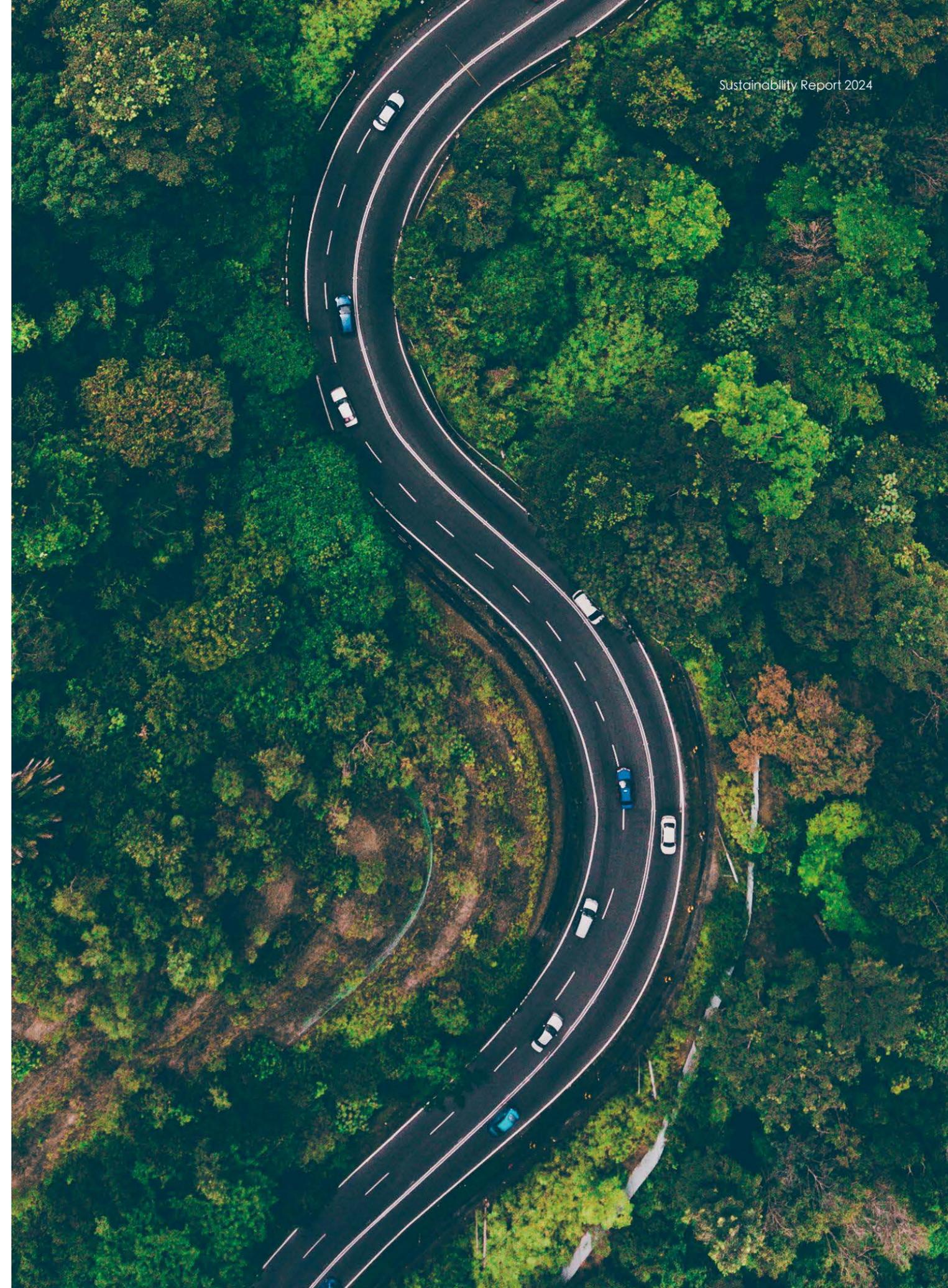
- Carry out regular maintenance and upgrades on the main emission equipment of production factories to avoid energy waste.
- Actively explore the application of clean, efficient, low - carbon green technologies, carry out low - carbon green technology projects, and empower environmental protection and efficiency improvement.
- Vigorously promote "energy conservation and consumption reduction", improve energy use efficiency, and reduce overall energy consumption.
- Actively promote green office practices in all aspects of daily work such as office supplies management, water and electricity conservation, and vehicle management, effectively achieving energy conservation and emission reduction in the office link.

Scope 2: Accelerate the Construction of Clean and Low - Carbon Energy Supply

- Gradually increase the proportion of renewable energy in the energy procurement portfolio to promote the low - carbonization of energy supply.
- Invest in the construction of photovoltaic power generation.

Scope 3: Build a Sustainable Supply Chain and Promote Upstream and Downstream Enterprises to Participate in Greenhouse Gas Emission Reduction Actions

- Actively promote the research and development of green low - carbon products, reducing carbon emissions throughout the product life cycle.
- Strengthen sustainable procurement, improve the supplier evaluation system, select suppliers with good environmental records, evaluate their environmental performance in production, transportation, and waste disposal, and require suppliers to develop emission reduction plans.
- Optimize product transportation routes, adopt efficient transportation methods such as multimodal transport, reduce transportation mileage and energy consumption. Meanwhile, encourage logistics partners to adopt low - carbon transportation technologies and equipment.
- Provide shuttle buses for employees and encourage them to take shuttle buses or public transportation. At the same time, reduce unnecessary business travel and promote remote work and video conferences.



Impact, Risk and Opportunity Management

Core Issues	Risk/Opportunity Factors	Description	Potential Impact		Response Measures
			period	Financial	
Addressing Climate Change	Extreme Weather Impact Risk	Global climate change leads to frequent extreme weather events. Disasters such as rainstorms, floods, and droughts may directly damage the group's production facilities, affecting normal production operations. At the same time, extreme weather may also cause supply chain disruptions, hindering raw material supplies and increasing the company's operating costs.	Short - medium term	Cost increase ↗ Revenue decrease ↘	<ol style="list-style-type: none"> 1. Conduct meteorological monitoring, pay attention to extreme weather warnings, develop scientific and effective disaster emergency plans, and strengthen emergency drills. 2. Regularly check for potential hazards in production and operation facilities, and upgrade and transform facilities and equipment in a timely manner. 3. Do a good job in the daily reserve of disaster prevention and mitigation materials.
	Policy and Regulatory Risk	As countries' attention to climate change issues continues to increase, relevant policies and regulations are becoming increasingly strict. The group may face policy risks such as carbon emission reduction target constraints, rising energy prices, and increased environmental protection taxes, which have adverse effects on the enterprise's profitability and market competitiveness.	Medium - long term	Cost increase ↗	<ol style="list-style-type: none"> 1. Real - time track the dynamics of relevant policies and regulations at home and abroad, closely follow the trend of the EU carbon tariff policy, timely assess its impact on the company's business, and actively implement carbon emission reduction measures to fully enhance the level of carbon emission management. 2. Actively participate in policy research activities of industry associations, feedback the actual situation of the enterprise, and adjust the enterprise's production and operation strategies in advance. 3. Improve energy utilization efficiency, reduce energy consumption per unit of output value, so as to alleviate the cost pressure brought by rising energy prices.
	Market Risk	Consumers' demand for environmentally friendly products is constantly increasing, and the market's requirements for corporate environmental performance are also getting higher and higher. If the group cannot timely meet the market demand for low - carbon products, it may lose market share and face market competition pressure.	Short - medium term	Revenue decrease ↘	<ol style="list-style-type: none"> 1. Strengthen market research, deeply understand consumers' demand preferences for low - carbon products, and lay out R & D and production in advance. 2. Increase the publicity and promotion efforts for green products, and enhance the popularity and market influence of the enterprise's green products by participating in industry exhibitions, online marketing, etc. 3. Establish a product carbon footprint accounting system to clearly display the low - carbon attributes of products to consumers.
	Technical Risk	The transformation of the low - carbon economy drives the rapid iterative development of technology. The company needs to continuously strengthen energy - saving and emission - reduction technologies and the utilization of renewable energy to ensure the achievement of the "dual - carbon" goals. In this process, as the company continuously increases investment in research and development and facility construction, it will also lead to an increase in operating costs.	Medium - long term	Cost increase ↗	<ol style="list-style-type: none"> 1. Strengthen the R&D efforts of high - performance products that are environmentally friendly and green low - carbon, and promote the production and sales of green products. 2. Build a high - level scientific and technological talent team, attach importance to the cultivation of young scientific and technological talents, enhance the company's innovation and creativity, and promote the achievement of key technical breakthroughs.
	Opportunity of Green Product Demand Growth	With the improvement of global sustainable development awareness, the market demand for green and environmentally friendly products is showing a rapid growth trend. The company's products have broad application prospects in industries such as green building, food, and medicine. Seizing this market opportunity, the group can increase R & D investment, develop more green products that meet market demand, expand business areas, and increase market share.	Short - medium term	Revenue increase ↗	Establish a special R & D team for green products, increase R & D funding investment, carry out industry - university - research projects in cooperation with universities and scientific research institutions, and accelerate the R & D process of green products. Develop customized products according to the specific needs of different industries for green products.
	Opportunity of Brand Image Enhancement	Actively responding to climate change and fulfilling social responsibilities helps to enhance the group's brand image and corporate reputation. A good brand image can attract more customers, investors, and outstanding talents, laying a solid foundation for the long - term development of the enterprise. In market competition, enterprises with a good environmental protection image are more likely to gain consumers' recognition and trust, thus obtaining a competitive advantage.	Medium - long term	Revenue increase ↗	<ol style="list-style-type: none"> 1. Develop a corporate social responsibility communication plan, and regularly release the enterprise's actions and achievements in responding to climate change through channels such as the corporate official website, social media, and news media. 2. Participate in various social responsibility selection activities to showcase the good image of the enterprise. 3. Carry out green public welfare activities, such as afforestation and environmental protection science promotion, to enhance public favorability towards the enterprise. 4. Establish a communication mechanism with customers, investors, and talents, and timely respond to their concerns about the enterprise's environmental protection work.

Indicators and Objectives

To address the challenges of global climate change and promote industrial transformation and upgrading, Hedda actively responds to international calls. Based on business development, it proposes a long-term goal of achieving carbon peak by 2030 and carbon neutrality by 2050. During the reporting period, the company's direct greenhouse gas (GHG) emissions (Scope 1) mainly originate from fossil-fuel combustion in production, while indirect GHG emissions (Scope 2) primarily come from purchased electricity and heat.

Key Performance

Total GHG emissions (Scope 1 + Scope 2):

254,932 tCO₂e

GHG reduction:

1,737* tCO₂e

Direct GHG emissions (Scope 1):

7,936 tCO₂e

Indirect GHG emissions (Scope 2):

246,996 tCO₂e

* Photovoltaic power generation emission reduction

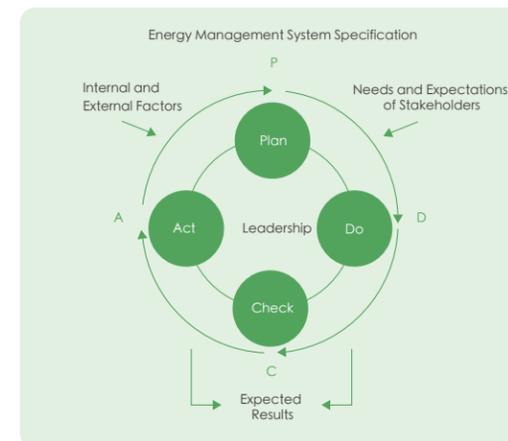
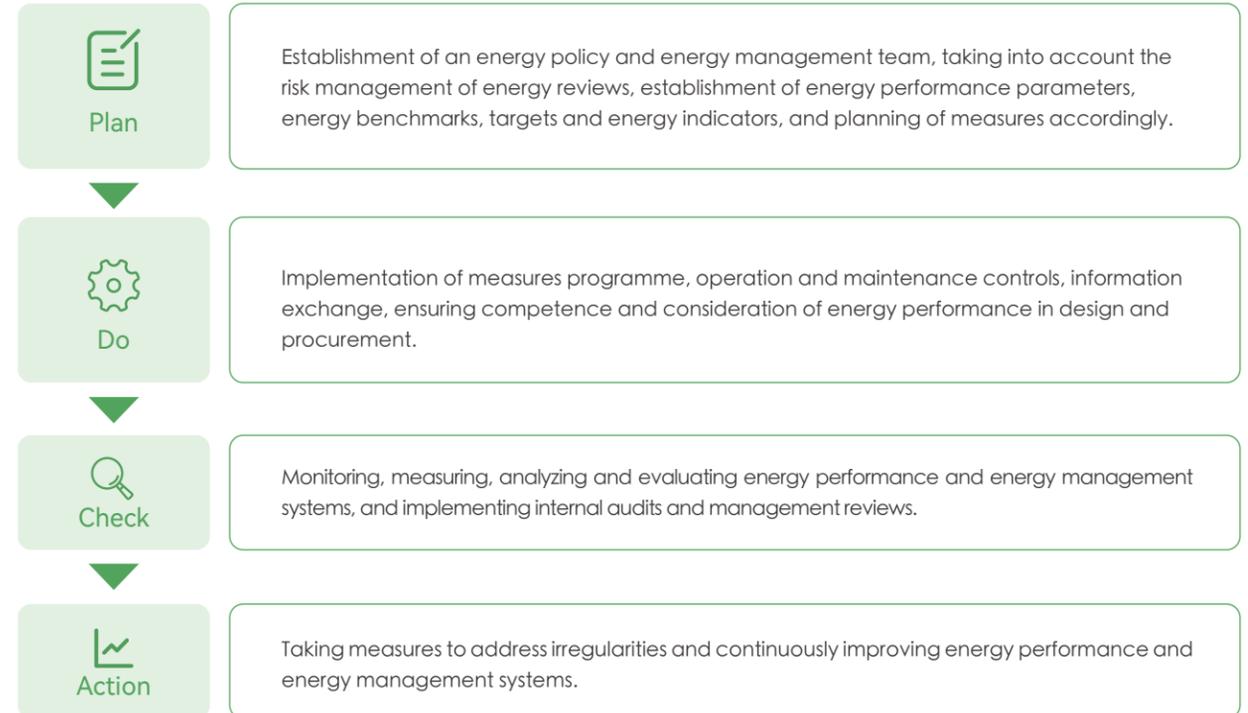
Energy Utilization and Conservation

Energy Issue Governance

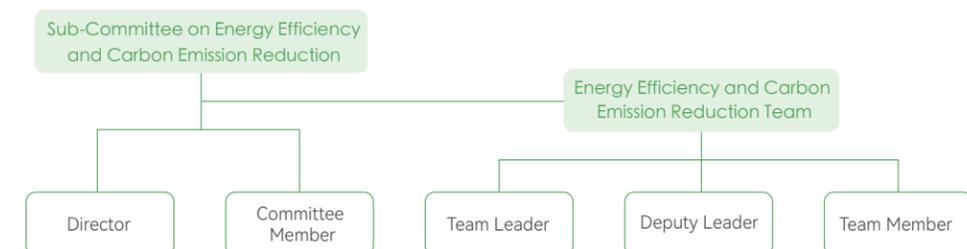
The company highly values efficient energy use, integrating energy conservation into the group and business-unit strategic development plans, corporate governance systems, and daily operational management. Based on the Group's Sustainable Development Committee, a special task force for energy conservation is established, supervised directly by business-unit general managers, to coordinate energy-saving efforts across business units. The task-force's responsibilities include formulating energy-management policies, supervising the implementation of energy-management-system-related regulations and processes by each department, researching and analyzing domestic and international energy situations and industry energy-saving trends, as well as piloting, applying, and promoting new energy-saving technologies, processes, and equipment within the group.

The company strictly complies with laws and regulations such as the Energy Conservation Law of the People's Republic of China and has formulated the Energy Management Manual and Energy-Management System Procedure Documents to reduce carbon emissions during production, construction, and operation. By establishing a series of standards for energy efficiency, energy-consumption limits, measurement, and monitoring, and organically integrating other energy-management requirements, the company promotes integrated energy-management construction, facilitating the achievement of energy-conservation, consumption-reduction, and emission-reduction targets.

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



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



o Organization Structure for Energy Saving and Emission Reduction

Energy – saving and Consumption – Reduction Strategy

The company implements an active and comprehensive strategy in energy utilization and energy – saving and consumption – reduction. It closely tracks the dynamics of domestic and international energy markets, industry energy – saving trends, and policy and regulatory orientations, deeply integrating energy management into the overall corporate development strategy. In terms of energy – structure optimization, it continuously promotes the development and utilization of renewable energy and steadily advances the substitution of traditional fossil fuels by clean energies such as natural gas and biomass energy. Focusing on energy – saving technology innovation and

transformation, the company forms a professional R & D team, conducts comprehensive assessment and upgrading of production equipment, introduces advanced energy – saving equipment, and deeply studies the energy – saving optimization of production processes. To ensure the effective implementation of the strategy, it establishes a complete energy – management system, builds an accurate energy – monitoring and analysis system, implements an energy – management responsibility system, closely links the effectiveness of energy management with employee performance, creates a good atmosphere for all – staff participation in energy – saving and consumption – reduction, comprehensively enhances energy – utilization efficiency, and achieves the sustainable development of the enterprise.

Impact, Risk and Opportunity Management

Core Issues	Risk/Opportunity Factors	Description	Potential Impact		Response Measures
			period	Financial	
Energy Utilization & Conservation	Energy Price Fluctuation Risk	The energy market is complex and volatile, with frequent price fluctuations in energy sources such as electricity and natural gas. An increase in energy prices will directly increase the group's production costs, compress profit margins, and affect the enterprise's profitability and market competitiveness.	Short – medium term	Cost increase ↗	<ol style="list-style-type: none"> 1. Strengthen energy market monitoring and analysis, and establish an energy price early – warning mechanism. 2. Sign price – stabilization agreements with long – term energy suppliers, and reduce the impact of energy price fluctuations on the enterprise through fixed prices, price – adjustment clauses, etc.
	Technical Risk	The research and development of energy – saving technologies is characterized by uncertainty, requiring large R & D investments and long cycles, and may face the risk of technical bottlenecks that are difficult to break through. In addition, during the practical application of new energy – saving technologies, there may be issues such as incompatibility with existing production equipment and unstable operation, affecting energy – saving effects and normal production.	Medium – long term	Cost increase ↗	<ol style="list-style-type: none"> 1. Increase capital and talent investment in energy – saving technology R & D, establish industry – university – research cooperation relationships with universities and research institutions, make full use of external research resources, and improve R & D success rates. 2. Before the application of new technologies, conduct sufficient pilot – scale and medium – scale tests and feasibility studies to ensure the maturity and reliability of the technology. 3. Establish a technology reserve library, formulate emergency plans for different technical solutions, and reduce technical application risks.
	Cost Reduction Opportunity	Through improving energy utilization efficiency and continuous improvement, the group can not only reduce energy consumption costs but also potentially gain additional benefits in terms of increased production efficiency and reduced equipment maintenance costs.	Short – medium term	Cost Reduction ↘	<ol style="list-style-type: none"> 1. Continuously invest resources in energy – saving technology innovation and continuous improvement, establish an internal innovation incentive mechanism, and encourage employees to put forward innovative ideas and solutions. 2. Strengthen technical exchanges and cooperation with advanced enterprises in the industry, learn from advanced experience, and accelerate the technical innovation process. Conduct commercial evaluations of energy – saving technology innovation achievements, actively explore paths to transform technology into products or services, and maximize the value of the technology.

Indicators and Objectives

Key Performance of Energy Utilization

Natural gas consumption:

3.82 Million m³

Total purchased electricity:

254.03 Million kWh

Total purchased heat:

1,006,205 GJ

Photovoltaic power generation:

2.34 Million kWh

Energy - saving and Emission - reduction Measures

Head Group actively explores and applies green, clean, efficient, and low - carbon technologies, carries out low - carbon green technology and process projects, and adopts low - carbon green technologies to empower environmental protection and efficiency improvement, contributing to the construction of an environmentally friendly society.

In the business process, Head Group strives to improve the comprehensive utilization efficiency of resources and continuously strengthens relevant standardized management, achieving the parallelism of energy conservation and environmental protection. It takes energy management as the main approach to reduce direct emissions. Through energy - saving efficiency improvement and lean improvement, renewable - energy substitution, and full - staff energy - saving publicity, it comprehensively practices low - carbon production and operation.

Energy Saving and Emission Reduction Measures



Electricity

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



Steam

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



Gas

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

Natural Gas Energy Saving and Consumption Reduction



Optimization of the operation flow, rational planning of the feed time of the waste gas and liquid of the TO furnace, reducing the intervals between the feed of the TO furnace, reducing the amount of natural gas, and effectively saving resources.

5,000m³/day
Natural gas savings



We utilize the biogas generated during the wastewater treatment process as fuel for the hot air furnace, reducing the use of natural gas, effectively promoting resource recycling and mitigating the impact on the environment.

3,000m³/day
Natural gas savings

Steam Energy Saving and Consumption Reduction



The steam condensate produced by MVR is recycled and reused to the production workshop after passing the test instead of being discharged directly, which effectively improves the recycling of resources.

2 tons/day
Steam savings



By optimizing the operating parameters of the distillation column, the consumption of soft water is significantly reduced, the extraction efficiency is enhanced, and steam consumption is effectively lowered.

6 tons/day
Steam savings

Power Energy - saving and Consumption Reduction



Gaoqing Factory, through meticulous evaluation and strict verification, optimized and adjusted the crushing section of the process flow. On the basis of ensuring product - quality stability, it effectively reduced energy consumption. The power consumption saved is approximately **63,000 kWh/month**.



Healsee initiated the renovation and upgrade of the fresh - air system for the capsule production line. This renovation and upgrade focused on optimizing the temperature and humidity control in the production workshop, greatly reducing the cooling and heating load of the air conditioner, and effectively saving power and steam resources. The power saved is approximately 200,000 kWh/month, and the steam saved is approximately **300 tons/month**.

Energy - saving and Consumption - reduction Incentive

The company takes indicators such as energy conservation and energy - saving and consumption - reduction as key monitoring indicators, organizes energy - saving and emission - reduction meetings every quarter to track the progress of energy - saving and emission - reduction work of the group and each business division. At the same time, a special award for energy conservation and environmental protection is established to reward units and individuals who have made outstanding achievements in energy - saving, emission - reduction, and carbon - reduction work.



Chairman's Special Award - Outstanding Contribution to Energy - saving and Consumption - reduction.

Environmental Compliance Management

Environmental Management System

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

Environmental Management Targets for 2024

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

Environmental Management Targets for 2025

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



Priority Environmental Work Programme

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

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



Responsibilities of the Department of Environmental Protection

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

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



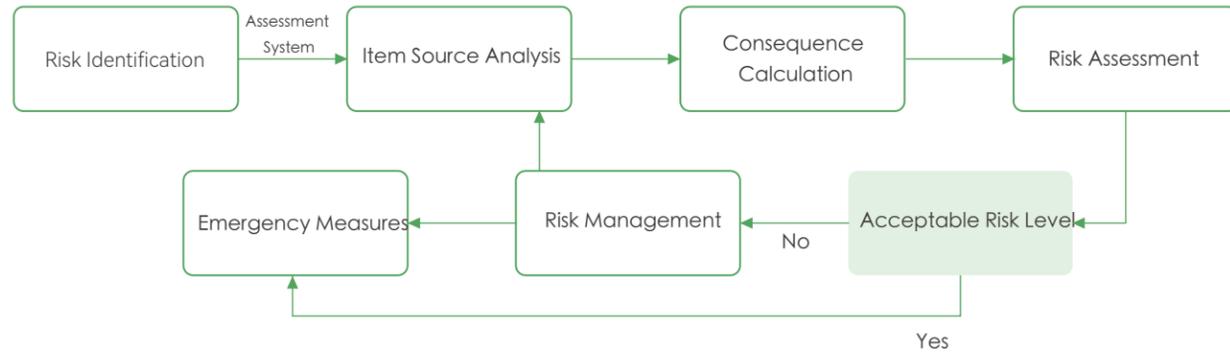
○ Environmental Management System Certification

Indicator	Unit	2022	2023	2024
Total environmental investment	CNY10,000	4,902.12	8,804.43	16,357.04
Total environmental expenses as a percentage of operating revenue	%	2.84	5.66	8.36

Environmental Risk Management

Risk Identification and Assessment

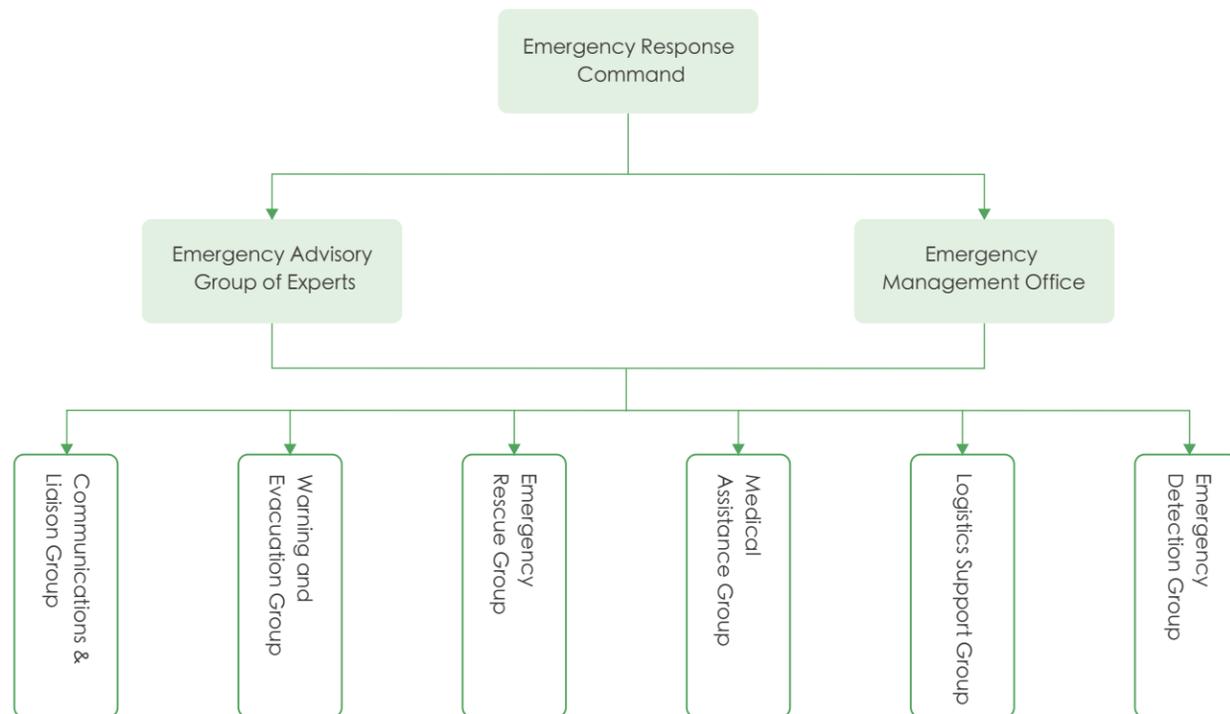
Head Group establishes control procedures for the identification and evaluation of environmental factors, controls the identification and evaluation of important environmental risk factors through the Control Procedures for Policies, Objectives, Indicators and Management Programmes, the Control Procedures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



o Environmental Emergencies Risk Assessment Procedure Chart

Head Group has strengthened the monitoring and response to environmental risks, conducted special assessment of hidden risks, issued environmental self-monitoring reports, formulated the Environmental Hidden Risk Investigation Responsibility System, effectively optimized the management of hidden risks, and steadily improved the management level. During the reporting period, Head Group conducted regular internal inspections every month, and all the problems found have been quickly rectified; 7 times external environmental protection inspections were accepted, 8 problems have been fully rectified; conducted the self-tests quarterly, and all the pollutant factors have met the emission standards.

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



o Environmental Emergency Response Organization

Our Approach and Action

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

Environmental Governance Upgrading Project

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



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

World Earth Day — Low Carbon Travel Activity

April 22nd is World Earth Day. Head organized a low-carbon travel activity. Employees were encouraged to travel green, walk to work, and make personal contributions to carbon emission reduction. This activity enhances team cohesion and conveys the ecological civilization concept of respecting nature.



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

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



Set Up Environmental Protection Inspection Team

In order to continue to promote the Group's environmental protection work and safeguard the Company's sustainable development, we formally established the Group's Environmental Protection Inspection Team on 27 February, which was headed by the Group's CEO, Ms. Angela Bao. The environmental protection inspection team will carry out internal environmental protection inspections on a regular basis to ensure that the company's environmental protection work can be efficiently implemented and supervised.



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

Green Office Initiatives

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

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

Environmental Management Knowledge Training

In March 2024, the Company organized the staff of safety, environmental protection, production and other related departments to carry out environmental management knowledge training, which covered environmental protection knowledge, environmental factors involved in the department and the post, as well as the management and the hazards of water pollution. After the evaluation, all participants received excellent results, and effectively enhance the awareness of environmental protection and legal compliance.



○ Training on Environmental Laws and Regulations



○ Environmental Contingency Plan Training



○ Field Environmental Slogans



Pollutant Management

Waste Water Management

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

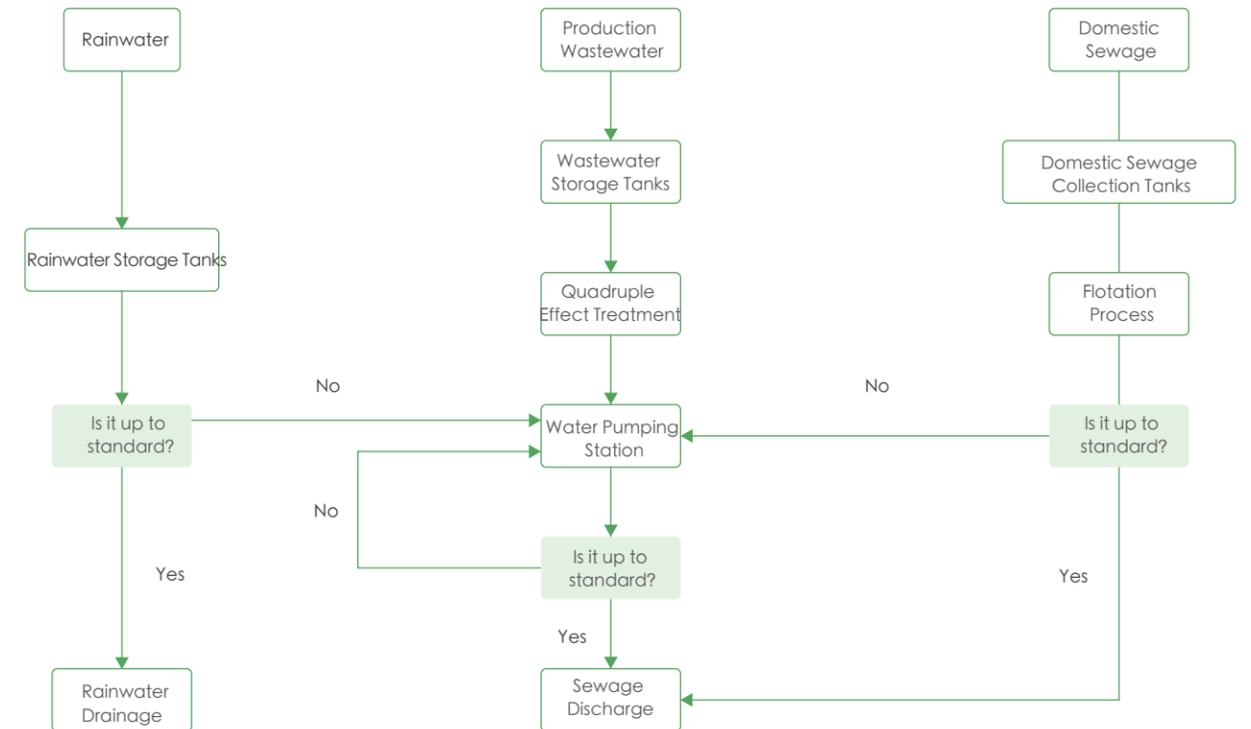
Waste water generated in the production process of the Company is concentrated in the collection pool and then entered into the sewage station for treatment to achieve zero discharge of hazardous waste water. The treated clean water enters the clean water pool, and is discharged after testing and meeting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

监测时间	浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	浓度	标准值	排放量(t)	pH	排放量(m3)
2024-08-01	35.2	500	0.0351	1.21	45	0.00121	/	/	/	/	/	/	7.92	6.50-9.50	-	997	
2024-08-02	39.6	500	0.0613	1.43	45	0.00222	/	/	/	/	/	/	7.97	6.50-9.50	-	1550	
2024-08-03	28.8	500	0.0365	1.91	45	0.00243	/	/	/	/	/	/	7.91	6.50-9.50	-	1270	
2024-08-04	28.3	500	0.0487	1.69	45	0.0029	/	/	/	/	/	/	7.9	6.50-9.50	-	1722	
2024-08-05	24.9	500	0.0546	1.72	45	0.00377	/	/	/	/	/	/	8	6.50-9.50	-	2195	
2024-08-06	23.6	500	0.0405	1.35	45	0.00232	/	/	/	/	/	/	8.1	6.50-9.50	-	1716	
2024-08-07	25	500	0.0648	1.35	45	0.00351	/	/	/	/	/	/	8.09	6.50-9.50	-	2591	
2024-08-08	28.7	500	0.0707	1.34	45	0.0033	/	/	/	/	/	/	8.17	6.50-9.50	-	2462	
2024-08-09	36.7	500	0.073	1.31	45	0.0026	/	/	/	/	/	/	8.17	6.50-9.50	-	1989	
2024-08-10	50.4	500	0.125	1.33	45	0.0033	/	/	/	/	/	/	8.13	6.50-9.50	-	2478	
2024-08-11	50.9	500	0.112	1.36	45	0.00301	/	/	/	/	/	/	8.11	6.50-9.50	-	2210	
2024-08-12	38.4	500	0.103	1.34	45	0.0036	/	/	/	/	/	/	8.08	6.50-9.50	-	2685	
2024-08-13	31.7	500	0.0505	1.31	45	0.00208	/	/	/	/	/	/	8.03	6.50-9.50	-	1594	
2024-08-14	31	500	0.0759	1.37	45	0.00337	/	/	/	/	/	/	7.81	6.50-9.50	-	2453	
2024-08-15	42.3	500	0.0446	1.33	45	0.0014	/	/	/	/	/	/	8.04	6.50-9.50	-	1054	
2024-08-16	27.3	500	0.0327	1.36	45	0.00162	/	/	/	/	/	/	7.99	6.50-9.50	-	1196	
2024-08-17	28.2	500	0.0429	1.37	45	0.00208	/	/	/	/	/	/	7.97	6.50-9.50	-	1521	
2024-08-18	48.1	500	0.0825	1.37	45	0.00236	/	/	/	/	/	/	7.88	6.50-9.50	-	1715	

Management of Online Monitoring of Waste Water and Waste Gas



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



Rainwater, Sewage, and Production Waste Water Control Logic Diagrams



Waste Gas Management

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

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

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

Soil and Groundwater Contamination

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

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

Key Performance

Waste water		
Wastewater compliance discharge rate	Ammonia nitrogen (NH ₃ -N) emissions	Chemical oxygen demand (COD) emissions
100%	1.47 t	86.67 t
Waste gas		
Waste gas compliance discharge rate	Nitrogen oxides (NOX) emissions	Sulfide emissions
100%	5.68 t	0.41 t
Volatile organic compounds (VOCs) emissions	Particulate matter (PM) emissions	
5.63 t	1.60 t	

Waste Management

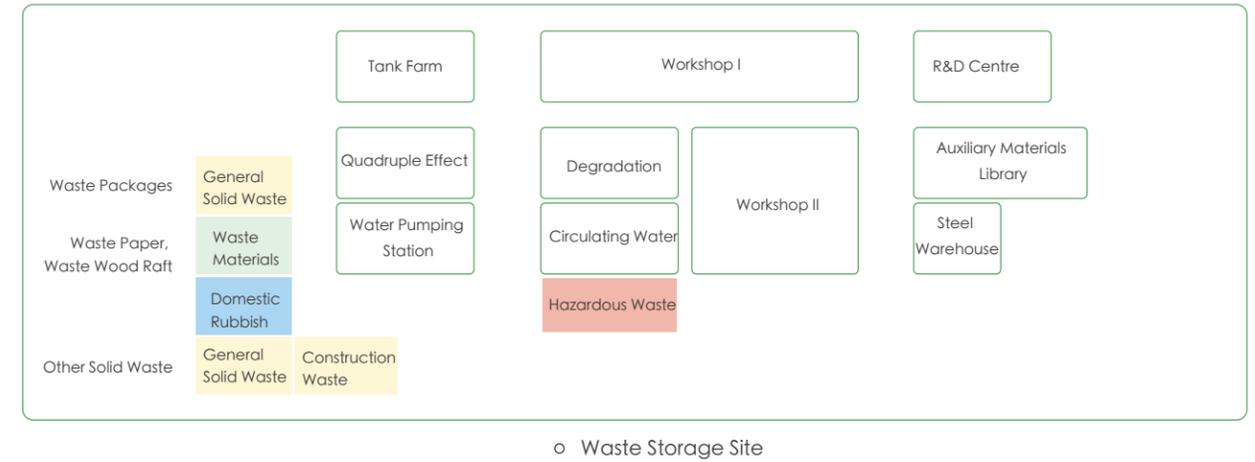
General Waste Disposal

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



Solid Waste Disposal Measures

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



Company Conducts Solid Waste Training

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



Hazardous Waste Disposal

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

Hazardous Waste Accident Prevention Measures

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

Conduct comprehensive emergency drills for safety and environmental protection

The company regularly conducts full - process comprehensive drills for hazardous chemical accidents, simulating scenarios such as leakage disposal, personnel evacuation, pollution blocking, and ecological restoration. Simultaneously, the company carries out company - wide safety culture training during the drills, deeply integrating the "preventive" concept into production management, and effectively enhancing employees' safety literacy and community risk co - governance awareness.



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

Indicator	Unit	2022	2023	2024
Hazardous waste compliant disposal rate	%	100	100	100

Water Resource Management

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

Water Conservation Project

Project Name	Water-saving Method	Water-saving Benefit
Optimization of water use in water circulation vacuum pumping system	Conservation of water	Savings of 45 tons/day of pure water

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

Water Conservation Measures

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

Biodiversity Conservation

The company continuously monitors the impact of its activities on biodiversity, fully implements the policy requirements of the Opinions on Further Strengthening Biodiversity Conservation, and actively responds to the deployment of the China Biodiversity Conservation Strategy and Action Plan (2023 - 2030). It continuously monitors and actively addresses potential impacts on biodiversity from its business activities, ensuring that business operations are kept away from biodiversity - sensitive areas such as nature reserves and ecological red lines. During the reporting period, the company did not establish production bases or operation points in nature reserves or other biodiversity - hotspots, and did not have a significant impact on biodiversity conservation.

Generating Exceptional Social Impact and Value

- R&D and Innovations
- Product Responsibility
- Customer Rights and Interests Protection
- Sustainable Procurement
- Digital Transformation
- Information Security



03

R&D and Innovations

Governance

Head Group has established a comprehensive and scientific R&D innovation governance system, aiming to lay a solid foundation for innovation activities. The board of directors of the group attaches great importance to R&D innovation, incorporates it into the core part of the enterprise's long-term strategic plan, and regularly deliberates on the R&D strategic direction and major project decisions to ensure that R&D activities are closely aligned with the overall development goals of the enterprise.

The company always regards technological innovation as the source driving force for the continuous development of the enterprise, complies with relevant laws and regulations such as the Patent Law of the People's Republic of China, continuously improves the innovation R&D management and design-development process, strengthens R&D investment and R&D talent cultivation, improves the R&D innovation level, and continuously strengthens the core competitiveness of the enterprise.

The company owns four provincial-level R&D platforms: Provincial Cellulose Ether Engineering Technology Research Center, Provincial Enterprise Technology Center, "One Enterprise One Technology" Research Center of the Department of Industry and Information Technology, and Provincial Engineering Research Center. To ensure the smooth progress of R&D work, the R&D center is equipped with instruments, equipment, and detection means of internationally advanced level, and has complete production, environmental protection, and experimental facilities, which can quickly put new technologies and R&D achievements into production, playing a vital role in the development of the company.

Inside the R&D center, multiple R&D teams are divided according to professional fields and technical directions. Each team focuses on technical research and product innovation in specific fields, forming a R&D operation mechanism with clear division of labor and efficient collaboration. At the same time, a cross-departmental collaboration mechanism has been established, and the R&D center is closely linked with departments such as production, marketing, and quality. The marketing department promptly feedbacks market demands and customer opinions, providing a precise direction for R&D; the production department deeply participates in the R&D process to ensure that new technologies and products have good manufacturability; the quality department strictly controls R&D quality, guaranteeing product quality from the source.

R&D Incentive System

The R&D team is a vital component of the company's talent reserve. By cultivating and attracting outstanding R&D talents, the company continuously elevates its R&D capabilities and innovation standards.

To motivate the innovative drive of R&D personnel, the group has established a comprehensive talent incentive system. A special R&D reward fund has been set up to provide substantial material rewards to teams and individuals who excel in technical breakthroughs, product innovation, etc., with preferential consideration in promotion and training. To enhance the company's capabilities in creating, applying, protecting, and managing intellectual property—thus propelling technological advancement and business development—the company has formulated and implemented the Intellectual Property Incentive Policy. This policy, through a clear-cut incentive mechanism, aims to inspire employees to embrace innovation, rise to challenges, and proactively contribute their wisdom and strength. Additionally, the company has specially instituted the "Chairman's Special Award" to honor teams or individuals who have made immense or remarkable contributions during critical development phases of the company, fostering technological innovation and igniting the enthusiasm of technical staff.



○ Presentation of "Chairman's Special Award"

R&D Innovation Strategy

The company has always adhered to a market-oriented approach, focused on cutting-edge technologies in the industry, and formulated a forward-looking and competitive R&D innovation strategy. On the one hand, it continuously increases R&D investment in core business areas. Focusing on products such as cellulose ether and plant capsules, it continuously optimizes the performance of existing products, enhances product quality stability and production efficiency. Through in-depth research and improvement of production processes, it reduces production costs and strengthens the price competitiveness of products in the market.

On the other hand, it actively lays out R&D in emerging fields and forward-looking technologies. With the enhancement of environmental awareness and the concept of sustainable development gaining deep roots, the company continuously increases R&D resource investment in the field of green and sustainable products. It forms a professional R&D team to carry out R&D work on green and clean products, committing to providing more environmentally friendly and sustainable product solutions for the market. Meanwhile, it strengthens industry-university-research cooperation with universities and research institutions, leveraging external research forces to enhance its own R&D capabilities.

Impact, Risk and Opportunity Management

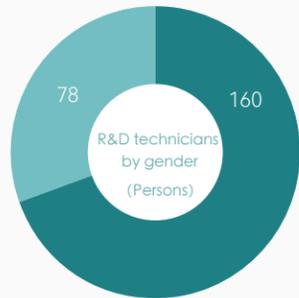
Core Issues	Risk/Opportunity Factors	Description	Potential Impact		Response Measures
			period	Financial	
R&D and Innovations	Technology R&D Risk	R&D projects are highly uncertain. Technical challenges may lead to extended R&D cycles, increased costs, or even project failure. New R&D technologies may encounter insurmountable bottlenecks during implementation, failing to meet the expected technical specifications.	Medium - long term	Cost increase ↗	<ol style="list-style-type: none"> 1.Before project approval, organize internal and external experts to conduct thorough technical feasibility demonstration, and formulate detailed technical roadmaps and risk pre - plans. 2.Strengthen technical monitoring and evaluation during R&D, regularly review progress, and adjust technical plans in a timely manner. 3.Establish a technical reserve database. For key technical challenges, reserve multiple technical solutions in advance to reduce technical R&D risks.
	Brain Drain Risk	Excellent R&D talents are the core driving force for corporate innovation. If key R&D talents leave, it may lead to interruptions in R&D projects, technical leaks, and other issues. Intensified competition within the same industry may attract the group's R&D talents to switch jobs.	Medium - long term	Cost increase ↗	<ol style="list-style-type: none"> 1.Create a competitive compensation and benefits system, provide good career development space and promotion channels, and enhance employees' sense of belonging and loyalty. 2.Establish a talent cultivation and reserve mechanism, cultivate a multi - level R&D talent team through internal training, external further education, etc. 3.Strengthen corporate culture construction, create a harmonious and innovative work atmosphere, and enhance team cohesion. 4.Sign confidentiality and non - competition agreements with core R&D personnel to protect the company's technical secrets and intellectual property rights.
	Market Demand Change Risk	Market demand is dynamic and changeable. If R&D results cannot promptly adapt to market changes, it may lead to poor product sales and the inability to achieve expected returns. Customers' demands for product functions and environmental performance are rapidly changing, but the new products developed by the group have failed to keep up with this trend.	Short - medium term	Revenue decrease ↘	<ol style="list-style-type: none"> 1.Continuously follow the development trends of cutting - edge technologies, actively introduce and absorb advanced technologies, and apply them to product R&D and production. 2.Strengthen the construction of independent innovation capabilities, encourage R&D personnel to carry out technological innovation, and provide rewards and support for innovative achievements. 3.Strengthen the market research and analysis team, deeply understand market trends, changes in consumer demand, and the characteristics of competitors' products, and adjust the R&D direction in a timely manner.
	Market Growth Opportunity	With the development of the global economy and the improvement of people's living standards, the market demand for high - performance, environmentally friendly products continues to grow. The company's cellulose ether and plant capsule products have broad application prospects in industries such as food and medicine. Differentiated innovation can bring better performance growth for the company.	Short - medium term	Revenue increase ↗	<ol style="list-style-type: none"> 4.Establish a rapid market - response mechanism, shorten the R&D cycle, increase the product iteration speed, and ensure that R &D achievements are quickly launched into the market to meet demand. 5.Strengthen communication and cooperation with customers, carry out customized R&D services, develop products according to personalized needs, and improve market adaptability.

Indicators and Objectives

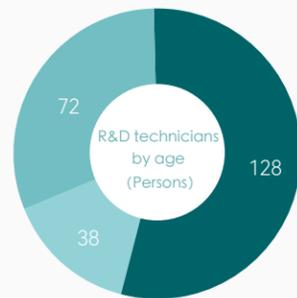
- Maintain stable growth in R&D investment, keeping the proportion of R&D investment to operating income stable at around 4%, and build an R&D and innovation system with international competitiveness.
- Become a leader in R&D and innovation within the industry, make significant breakthroughs in core technology areas, own multiple independent intellectual properties and core technologies, and ensure that product performance and quality reach international advanced levels.
- Construct a sound innovation ecosystem, establish a close innovation cooperation network with suppliers, customers, universities, research institutions, etc., achieve the sharing and collaboration of innovation resources, and promote the technological progress and innovative development of the entire industry.

Composition of R&D Technical Staff

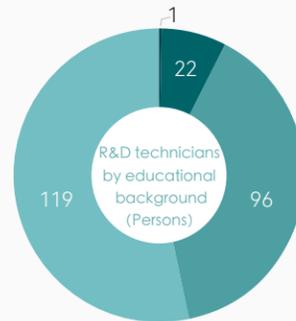
Total of **238** R&D technicians in 2024



● male
● female



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



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

R&D Investment

Year	2022	2023	2024
CNY Investment (million)	67.78	66.65	90.57

Proportion of R&D Investment in Operating Income

Year	2022	2023	2024
Proportion (%)	3.93%	4.28%	4.63%

Innovation Achievements

Metric	2022	2023	2024
Cumulative number of authorized patents	126 items	27 items	99 items
Number of new patents added during the reporting period	21 items	14 items	7 items
Cumulative number of authorized invention patents	-	-	-
Number of new invention patents added	-	-	-
Cumulative number of authorized utility model patents	-	-	-
Number of new utility model patents added	-	-	-

Outstanding R&D Results

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

Pharmaceutical Grade Cellulose Ether

Based on traditional controlled - release products, the company has successfully developed high - end hardness - enhanced controlled - release products with better performance through innovative R&D. During the reporting period, the specifications of the company's high - end hardness - enhanced controlled - release products have been continuously expanded and widely praised by customers. The high - end hardness - enhanced controlled - release products have the following characteristics:

- Can better control the dissolution and release of drugs, and more easily obtain the same dissolution curve as the reference preparation;
- Compared with conventional products, the prepared sustained - release tablets have better tableting hardness, which is conducive to the preservation and transportation of the tablets;
- During the tableting process, it can reduce the wear of the tableting machine and improve production efficiency;
- In the dissolution of metformin sustained - release tablets, it can better simulate the state of gastric suspension tablets and reduce the occurrence of phenomena such as wall - sticking.



Headcel Hydrophobically Modified Hydroxyethyl Cellulose ether (HMHEC)

During the reporting period, the company successfully developed Headcel Hydrophobically Modified Hydroxyethyl Cellulose ether (HMHEC). This new product is specially designed for high - quality latex paints, decorative multicolor paints, water - based industrial coatings, and other special application areas. It not only retains the advantages of ordinary hydroxyethyl cellulose ether but also greatly improves the rheology of coatings, aiming to enhance coating performance and meet the industry's pursuit of high - quality products. The product has the following characteristics:

- Excellent solubility
- Excellent thickening efficiency
- Good can - opening condition and excellent storage stability
- Excellent workability and anti - spatter property
- Excellent fluidity and leveling property



HPMC Acid Resistant Capsule

In the field of plant capsules, following the introduction of the second - generation capsules, the HPMC Acid Resistant Capsule (plus) was launched. It is more suitable for the application of drugs sensitive to gastric juice, can exhibit more excellent targeted or sustained - release effects, is widely applied in the field of high - end health products, and has gained widespread recognition from domestic and foreign customers. The product has the following characteristics:



- Pure Vegetable Origin
- Excellent Targeting or Delayed Release Performance
- Low Moisture, No Brittle and Fragile
- Good Acid Resistance and Enzyme Resistance without Secondary Coating
- Ideal Choice for Acid-Sensitive Drugs

Low - temperature Flue Gas Waste Heat Recovery System

Low - temperature flue gas waste heat recovery system is composed of a corrosion - resistant flue gas - water heat exchanger, instruments, valves, and a gas exchange system. Among them, the core part, the graphite - tube flue gas - water heat exchanger, is a polymer graphite heat - exchange tube obtained by extrusion molding based on thermosetting polymer phenolic resin and graphite. It can work stably for a long time under the condition of 205°C, and is particularly suitable for recovering low - grade heat below the acid dew point temperature of flue gas. This product can greatly improve the degree of waste heat recovery and remarkably enhance the overall efficiency of the plant. Meanwhile, through deep cooling, the temperature of flue gas entering the desulfurization system can be reduced to below 80°C, saving the water consumption of the desulfurization system, which is particularly conducive to the improvement of the water consumption index of the power plant.

Typical application scenarios:

Waste heat recovery from flue gas before boiler desulfurization towers in thermal power plants, waste heat recovery from furnace flue gas in glass enterprises, waste heat recovery from self-contained boilers before flue gas desulfurization towers in steel plant sintering equipment, etc.

Typical application directions:

- (1) Using flue gas waste heat to heat the hot water network circulating water and condensate water in the plant's water heating system, improving thermal efficiency and reducing coal consumption.
- (2) Air preheating: Using primary circulating water as the heat medium, transferring the heat absorbed on the flue gas side to the primary and secondary cold air to preheat the cold air before it enters the air preheater, thereby reducing the auxiliary steam consumption in conventional steam air heaters.



R&D Awards

The Company has been awarded "High-tech Enterprise", "National Intellectual Property Capable Enterprises", "China Patent Shandong Star Enterprise", "China Science and Technology Innovation and Invention Achievement", "Shandong Province Enterprise Innovation Award", "Zibo Major Scientific and Technological Achievement", "Zibo Science and Technology Award", "Most Influential Brand in Ready-Mixed Mortar Industry", "Best R&D Team", "Outstanding Science and Technology Innovation Team" of Zhoucun District, etc. In 2021, the Company was awarded as "Little Giant" of Specialized and Innovative Enterprises, and has been continuously selected as one of the "Top 500 Chinese Petroleum & Chemical Enterprises" and "Zibo City Double 100 Enterprises", "2024 Annual Recognition of Patent-Intensive Products" by the National Intellectual Property Administration (NIPA), which demonstrates the strength of the Company's technological innovation.



o certificate of honor

Intellectual Property Protection

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



○ Certificate of Intellectual Property Management System



○ Part of the Invention Patent Certificates

Product Responsibility

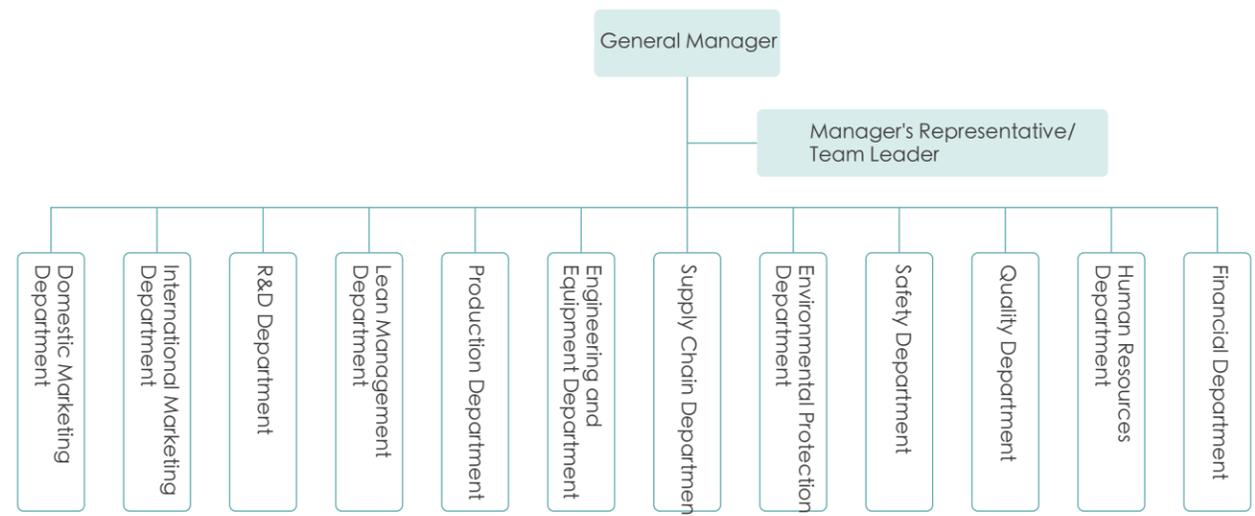
Governance

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

Quality Management Policy

<p>Adherence to Laws and Regulations to Ensure Product Safety</p>	<p>The Company is committed to providing high-quality and safe products and services, ensuring that pharmaceutical excipients comply with GMP standards throughout the process and meet drug regulations, and strictly selecting compliant and high-quality suppliers to ensure product quality and medical and food safety.</p>
<p>Continuous Quality Improvement Enhances Customer Satisfaction</p>	<p>The Company continuously maintains internal and external communication on quality matters and follows the quality requirements agreed with customers. All Head Group's units, departments and employees are required to ensure that products are compliant and meet customer needs. Management will provide resources and support to ensure employee compliance and continuous improvement of procedures and processes.</p>

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



○ Quality Management System Structure

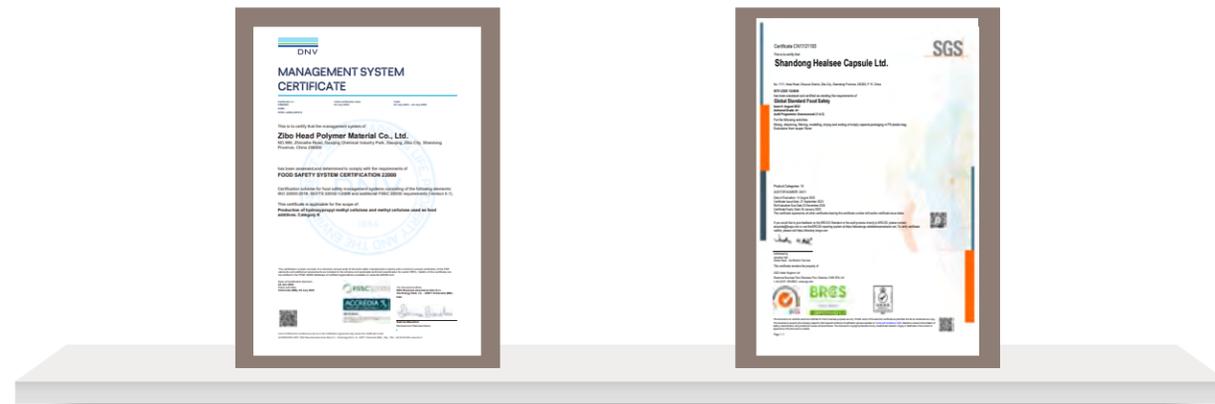
By the end of the reporting period, the Company and subsidiaries have passed ISO 9001 quality management system certification, FSSC22000 food safety management system certification, BRCGS global standard food safety certification, EU REACH certification and US NSF certification.



○ ISO 9001 Quality Management System Certificate



○ EU REACH Certificate



○ FSSC22000 Food Safety Management System Certificate

○ BRCGS Global Standard Food Safety Certificate



○ NSF Certificate

Governance

We firmly believe that quality is a necessary guarantee for the everlasting foundation of an enterprise. The company has established a comprehensive product quality management system, ensuring that every link from R & D to production is advanced with standards higher than compliance requirements, achieving quality control throughout the product's full lifecycle. We uphold our commitment to customers, and through a strict delivery quality inspection process, we fully guarantee the use of customer products. We actively carry out quality culture construction, integrating quality awareness into every aspect of enterprise operation and management. Aiming at "doing it right the first time, and every time," we focus on cultivating the craftsman spirit. We always create high - quality products with a rigorous and responsible attitude, committed to creating the best customer experience.

Guided by the pursuit of excellent product quality, the company has formulated a quality strategic plan at the group level. We comprehensively consider external trends such as industry environment and market dynamics, as well as our own internal quality levels and capabilities. For strategic execution, we construct monitoring, evaluation, adjustment, and improvement mechanisms to ensure its effective implementation. We implement full - process quality management, strictly control product safety, deepen quality culture construction, and adopt multiple measures simultaneously to ensure product quality and safety.

Impact, Risk and Opportunity Management

Core Issues	Risk/Opportunity Factors	Description	Potential Impact		Response Measures
			period	Financial	
Product Responsibility	Quality Control Risk	During the production process, equipment failure, operation errors, or process parameter fluctuations may lead to unstable product quality, resulting in defective or waste products, affecting delivery schedules and corporate reputation. Inadequate precision of quality inspection equipment, unscientific testing methods, or non - standard operation by inspectors may cause unqualified products to enter the market, triggering customer complaints and recall incidents.	Short - medium term	Cost increase ↗ Revenue decrease ↘	<p>1.Optimize production process management: Regularly maintain, repair, and upgrade production equipment to ensure normal operation. Develop detailed and standardized production operation procedures, strengthen employee training, and improve operational proficiency and standardization. Introduce advanced automated control systems to monitor process parameters in real - time and adjust deviations promptly to ensure product quality stability.</p> <p>2.Strictly control raw material quality: Establish a comprehensive supplier evaluation and management system, conduct a full review of supplier qualifications, production capacity, quality control, etc. Establish long - term and stable cooperative relationships with high - quality suppliers, sign quality agreements, and clarify raw material quality standards and liability for breach of contract. Strengthen incoming inspection of raw materials, increase sampling frequency and inspection items to ensure the quality of raw materials is qualified.</p> <p>3.Improve the quality inspection mechanism: Invest in high - precision and advanced quality inspection equipment, and regularly calibrate and maintain it. Organize inspectors to participate in professional training to enhance their inspection skills and levels. Establish scientific and reasonable quality inspection standards and methods, adopt a multi - link and multi - level inspection model to prevent unqualified products from leaving.</p>
	Policy and Regulation Risk	Regulatory policies for industries such as pharmaceuticals and food at home and abroad are becoming increasingly strict, continuously raising product safety and quality standards. If products fail to meet new requirements in a timely manner, they will face the risk of sales obstruction.	Medium - long term	Revenue decrease ↘	Pay close attention to regulatory policy dynamics, assign specific personnel to track changes in domestic and foreign industry regulations and policies, and promptly interpret policy requirements. Adjust production processes and product standards in advance to ensure products comply with the latest regulations and policies. Strengthen communication with regulatory authorities, actively participate in policy discussions, feedback the actual situation of the enterprise, and strive for policy support.
	Brand Value Growth Opportunity	Excellence in product and service quality is the core of brand building. When products are renowned for their safety, reliability, and superior quality, the brand image is significantly enhanced, strengthening consumer loyalty and brand reputation. Continuously providing safe and high - quality products and services can win customer trust. Through word - of - mouth communication from customers, it can attract more new customers and expand market share.	Medium - long term	Revenue increase ↗	<p>1.Increase market research efforts, deeply understand competitor dynamics and market demand changes. Through technological innovation and cost control, enhance product cost - effectiveness. Strengthen brand promotion and publicity, highlight product quality advantages, and improve brand awareness and reputation. Legally combat counterfeit and shoddy products, safeguard market order and corporate rights.</p> <p>2.Establish a customer demand feedback mechanism, collect customer opinions and suggestions through regular follow - ups and customer satisfaction surveys. Strengthen collaboration between R & D and marketing departments, adjust product R & D directions in a timely manner according to customer needs, and launch new products and services that meet market demands.</p>

Indicators and Objectives

Product Quality and Safety

Product qualification rate (cellulose ether):
99.99 %

Product qualification rate (plant capsule):
100 %

Yearly quality internal audit frequency:
6 times

Number of third - party agency spot checks:
13 times

Percentage of products withdrawn and recalled due to health and safety reasons:
0 %

Company negative public opinion:
0 times

Number of products withdrawn and recalled due to health and safety reasons:
0 pieces

Quality Culture Training

Number of person - times in quality culture training:
7,706 person - times

Total duration of quality culture training:
203 hours

Frequency of quality culture training:
100 times

Customer Service

Number of customer satisfaction survey questionnaires distributed (domestic):
134 copies

Number of customer satisfaction survey questionnaires distributed (overseas):
102 copies

Number of customer satisfaction survey questionnaires retrieved (domestic):
110 copies

Number of customer satisfaction survey questionnaires retrieved (overseas):
78 copies

Customer satisfaction (domestic):
94 %

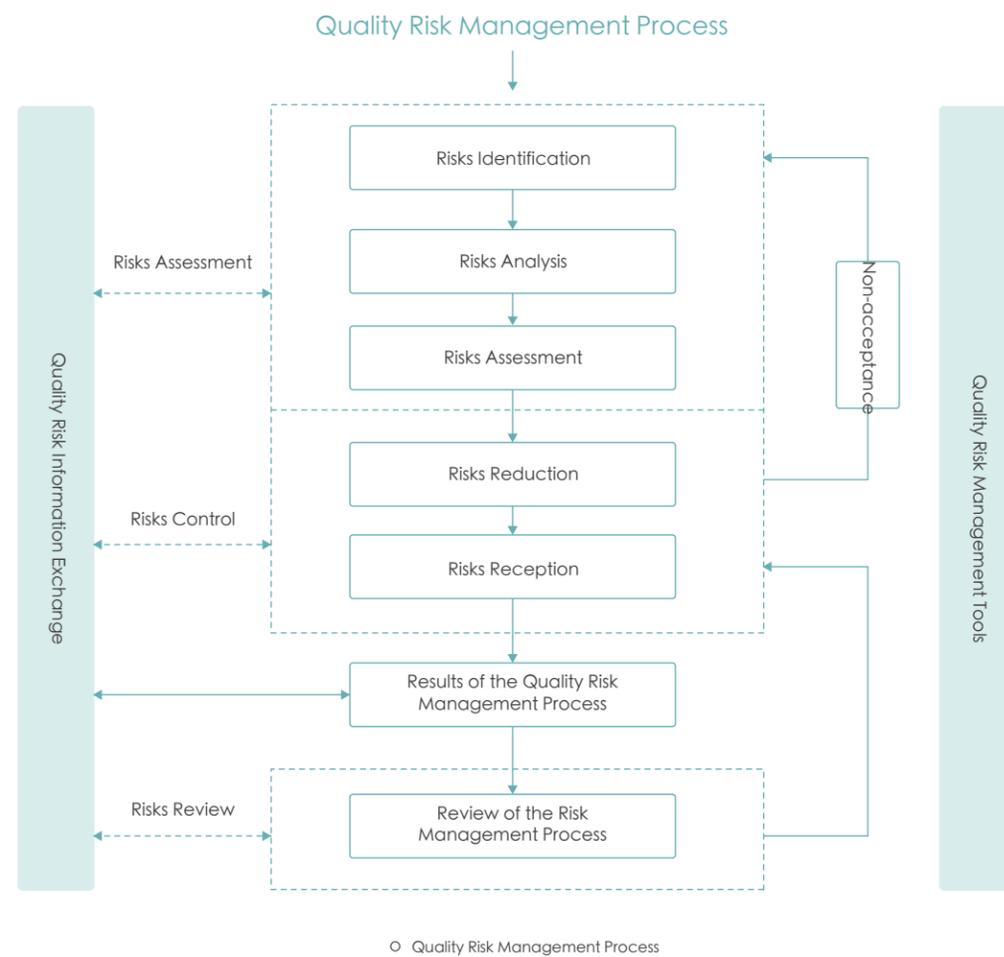
Customer satisfaction (overseas):
95 %

Customer complaint handling rate:
100 %

Quality Risk Control

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

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



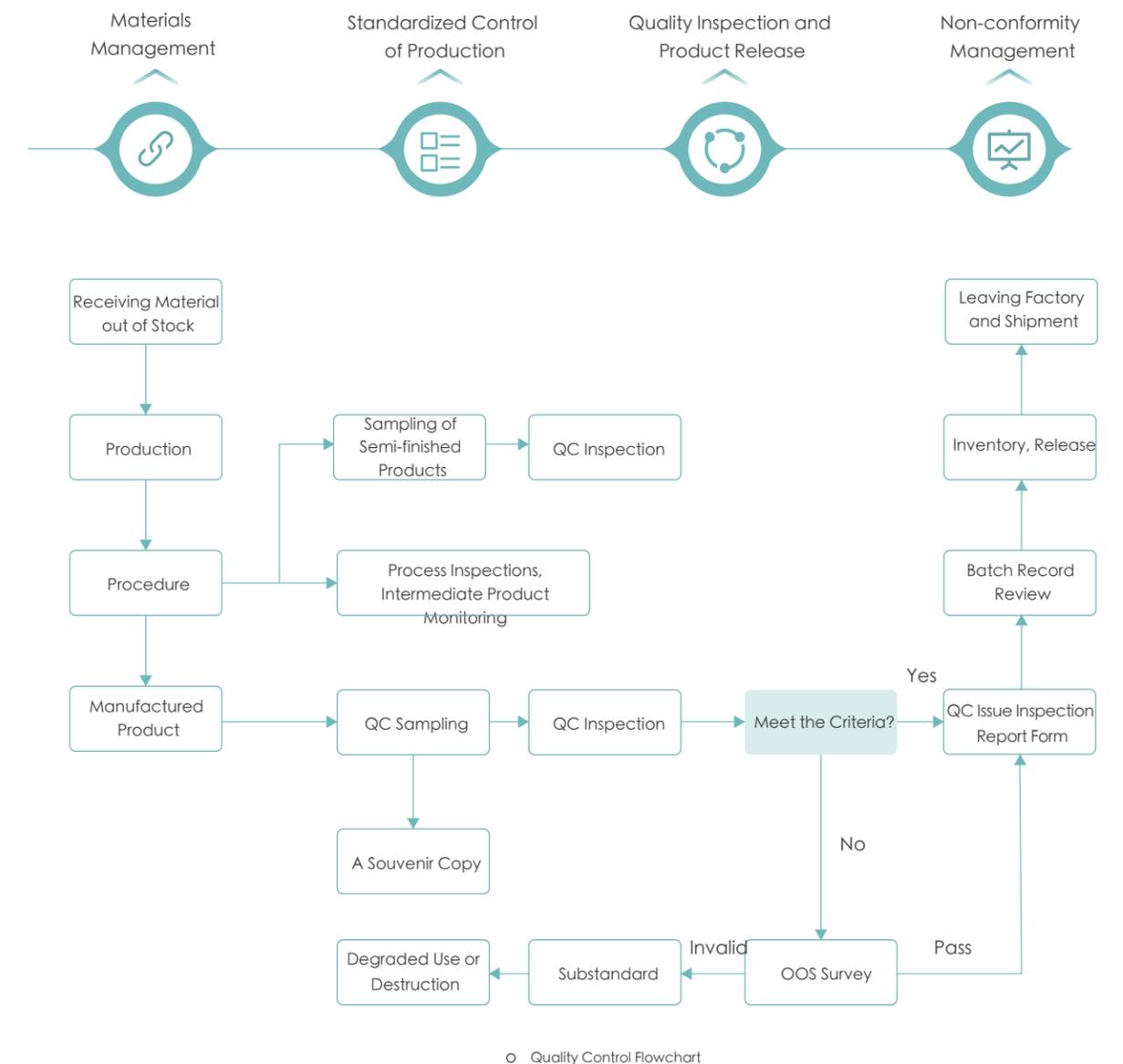
Key Performance

During the reporting period, the Company conducted **35** risk assessments.

Product Life Cycle Management

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

Key Aspects of Product Quality Management



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

Product Recall Mechanism

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

Product Quality Training

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

Head Group Holds 34th Quality Month Activities

On September 1, Head Group held the 34th "Quality Month" activities. We organized various quality activities to strengthen the awareness of quality management and prevent quality risks to ensure that every employee pays attention to quality issues. We always prioritize quality work and adhere to the concept of "customer-centric". We are committed to high-quality development and winning through quality, promoting comprehensive quality management, and continuously improving the quality standards and brand influence of our products and services.



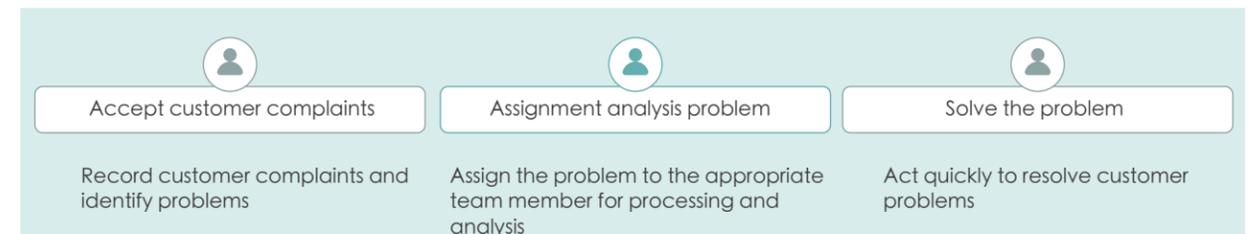
Customer Rights and Interests Protection

Customer Service Management

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



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



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



Responding to Customer Complaints

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

Customer Satisfaction Surveys

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

Customer Service Training

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

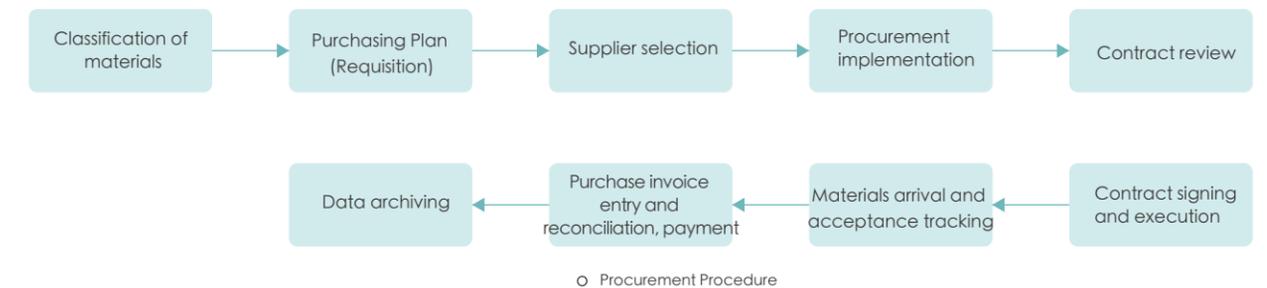
Customer Service Training

The company regularly organizes and conducts customer service training titled "Effective Response—Steps for Handling Customer Complaints with High Emotional Intelligence," aiming to enhance employees' communication skills and emotional intelligence when dealing with customer complaints. By deeply analyzing the key steps in handling such complaints and combining practical case studies, the training helps employees master high - EQ response techniques, enabling them to resolve customer issues in a more professional and human - centered manner.

Sustainable Procurement

Suppliers Management System

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



Supplier Selection and Assessment

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

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



Supplier ESG Management

Supplier ESG Risk Management

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

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

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



○ SMETA Certificate

Key Performance

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

Supplier ESG Training

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

Sustainable Development - Corporate Social Responsibility Sharing Course

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



Responsible Procurement

Clean Procurement

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

Green Procurement

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

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

Digital Transformation

Head Group initiated the work of informationization and digitalization construction in 2000. The company's information system covers multiple fields such as finance, market, supply chain, management, safety, and office. With the expansion of the company's scale and the development of business, the process of informationization and industrialization has been accelerated.

Digital Management of Whole Process Information

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

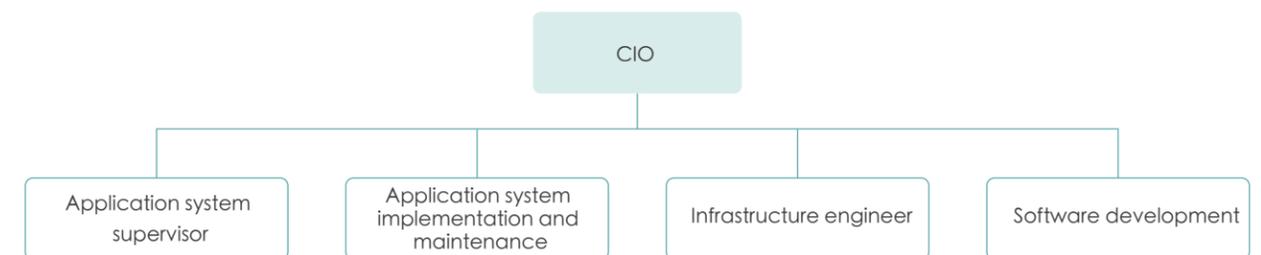
Information Security

Information Security Management System

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

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

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



○ IT Organizational Structure

Information Security Initiatives

Information Security Risk Assessment

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

Hierarchical Data Management

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

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



Information Security Training

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

Information Security Basic Training

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



Indicator	Unit	2022	2023	2024
Number of information security training conducted	Times	2	3	3
Number of training participants	Persons	1,486	1,559	1,790
Training staff coverage	%	87	97	98

Inspiring Talents and Career Development

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



04

Employee Relationship Management

Employee Recruitment and Employment

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

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

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

Inclusion and Diversity

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

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

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

Impact, Risk and Opportunity Management

Core Issues	Risk/Opportunity Factors	Description	Potential Impact		Response Measures
			period	Financial	
Employee	Brain Drain Risk	If the company's provided salary level is below the industry average, the welfare system is not perfect enough, training and development opportunities are insufficient, or the corporate culture does not match employees' values, it may lead to employees leaving their jobs due to issues such as economic returns and life convenience. Especially the loss of core technical personnel and key business personnel will cause the lack of key technologies and business experience, affecting project progress and corporate competitiveness.	Short - medium term	Cost increase ↗	<ol style="list-style-type: none"> 1.Regularly conduct industry salary surveys to ensure the group's salary level is competitive. Improve the welfare system, adding supplementary and diverse welfare projects alongside statutory benefits to enhance employees' quality of life and satisfaction. 2.Establish a sound employee career - development planning system, clarifying promotion paths and standards for different positions. Provide employees with abundant training and development opportunities, including internal training courses, external further studies, job - rotation exchanges, etc., to help them enhance skills and expand career space. 3.Strengthen corporate - culture construction. Through regularly organizing team - building activities, employee symposiums, etc., promote communication among employees and create a harmonious, positive work atmosphere. Establish people - oriented corporate - culture values, pay attention to employees' needs, respect their opinions, and enhance their sense of belonging.
	Skill Deficiency Risk	If there is a lack of systematic and targeted training programs, new employees cannot quickly familiarize with business and job skills after joining, and old employees cannot timely update their knowledge and skills to adapt to corporate development and industry changes.	Medium - long term	Cost increase ↗	Formulate a comprehensive and systematic training plan. Carry out orientation training for new employees to help them quickly understand enterprise and job requirements; provide skill - upgrading and professional - knowledge - updating training for veteran employees. Introduce an online training platform to enrich training resources and forms, meeting employees' diverse learning needs. Meanwhile, establish a training - effect evaluation mechanism to ensure training quality and effectiveness.
	Talent Advantage Transformation Opportunity	Having a team of high - quality and innovative employees can bring continuous innovative ideas and solutions to the group, thus enhancing the company's product competitiveness and market share, and promoting the sustainable development of the enterprise.	Medium - long term	Cost decrease ↘ Revenue increase ↗	Design scientific and reasonable performance - evaluation indicators, considering factors like work performance, attitude, and team collaboration to ensure comprehensive and fair evaluations. Strengthen communication and feedback in the performance - evaluation process, enabling employees to clarify work goals and improvement directions, and motivating them to work actively.

Employee Composition

Indicator		Unit	2022	2023	2024
Total number of employees		Persons	1,693	1,599	1,827
Number of employees by gender	Male	Persons	1,183	1,117	1,281
	Female	Persons	510	482	546
Number of employees by grade	Senior management	Persons	8	5	5
	Mid-level management	Persons	100	106	120
	Primary employee	Persons	1,585	1,488	1,701
Number of employees by age	Under 30 years old	Persons	380	352	404
	30-40 years old	Persons	625	597	658
	40-50 years old	Persons	458	429	501
	50 years old and older	Persons	230	221	264
Number of employees by degree	Doctor degree	Persons	1	1	2
	Master degree	Persons	28	35	38
	Bachelor degree	Persons	256	267	299
	Associate degree	Persons	520	500	641
	Below associate degree	Persons	888	796	847
Number of employees by profession	Produce	Persons	1,205	1,145	1,340
	Sales	Persons	79	80	80
	R&D Technician	Persons	233	226	238
	Finance	Persons	23	19	26
	Others	Persons	153	129	143

Employee Movement

Indicator		Unit	2022	2023	2024
Employee turnover rate		%	12.3	10.7	7.20
Turnover rate by gender	Male	%	13.6	11.3	9.5
	Female	%	8.9	9	3.5
Turnover rate by age	Under 30 years old	%	17.4	12.4	11.9
	30-40 years old	%	13.4	11.5	7.5
	40-50 years old	%	7.7	9.6	4.3
	50 years old and older	%	4.5	6.8	2.8

Compensation and Benefits Management

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

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

Key Performance

During the reporting period, the number of labor - discrimination incidents in the company was **0**,

and the labor - contract signing rate was **100%**.



Employee Well-being

Employee Benefits

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

Statutory Benefits

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

Company Benefits

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

hold the Employee Children Scholarship Ceremony and Open - Day Event

In August 2024, Head Group held the 2024 Employee Children Scholarship Distribution Ceremony and Employee Children Open Day Event. The event invited employees' children to enter their parents' daily workplace, understand their parents' work environment, experience the corporate culture, have lunch with their parents in the cafeteria, and experience the warmth of head's big family. This event was a profound practice of Head Group's corporate mission of "Create Value, Assist Customers, Care for Employee Growth, Promote Social Prosperity," and furthermore, it was deep care and blessings for employees and their children.



○ distribute holiday benefits



○ distribute holiday benefits

Stock Ownership Incentive

In 2024, the company implemented the third phase of its stock option and restricted stock incentive plan, covering a total of 116 senior managers, core management personnel, and key backbone employees. A total of 6.43 million restricted shares and 6.43 million stock options were granted.

Female Employees Caring

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

Insisting on Employee Diversity and Caring for Female Employees

We adhere to diversity and opposes all discriminatory behaviors and others. We protect the rights and interests of female employees, and provide full support for them. On the International Women's Day, we organized an activity to care for female employees, allowing them to make DIY handicrafts, creating a meaningful, participatory and rewarding festive atmosphere.



Mental Health Protecting

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

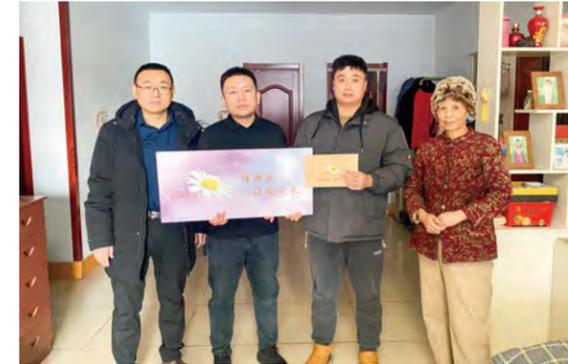
Head conducts mental health seminar

On July 11, the company invited psychological counseling expert Zhang Jianfen to hold a mental health lecture for employees. Ms. Zhang gave a detailed explanation on physiological and psychological symptoms of excessive stress; ways of coping with stress; the influence of emotions on personal health and the secrets of physical and mental health. We have always attached importance to the mental health of our employees, and in the future, we will strive to help more employees become better.



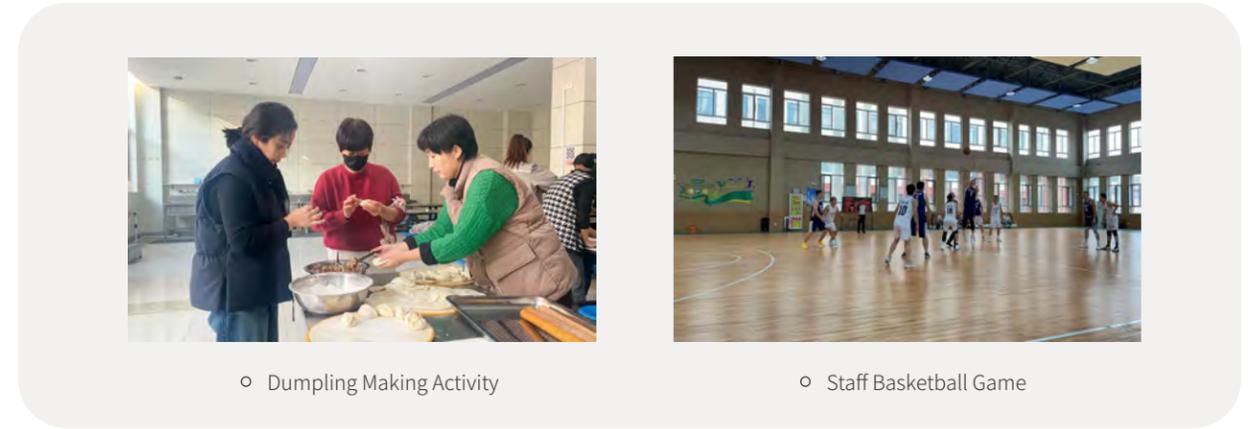
Helping Employees in Need

Mr. Jack BEE, Chairman of Head Group, personally contributed **CNY10 million** to set up the "Aiju Fund", which is used to provide assistance to employees. During the reporting period, the fund provided assistance to **14** employees in difficulty, amounting to **CNY140,000** in total.



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

Employee Activities



Dumpling Making Activity

Staff Basketball Game

Key Performance

During the reporting period

the social insurance coverage rate was **100 %**

the welfare expenditure was **CNY 4.52** millions

The number of employees on maternity leave was **16**

the rate of returning to work from maternity leave was **100 %**

The proportion of female managers was **24 %**

Democratic Management

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

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

Diverse Communication Channels

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

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

Key Performance

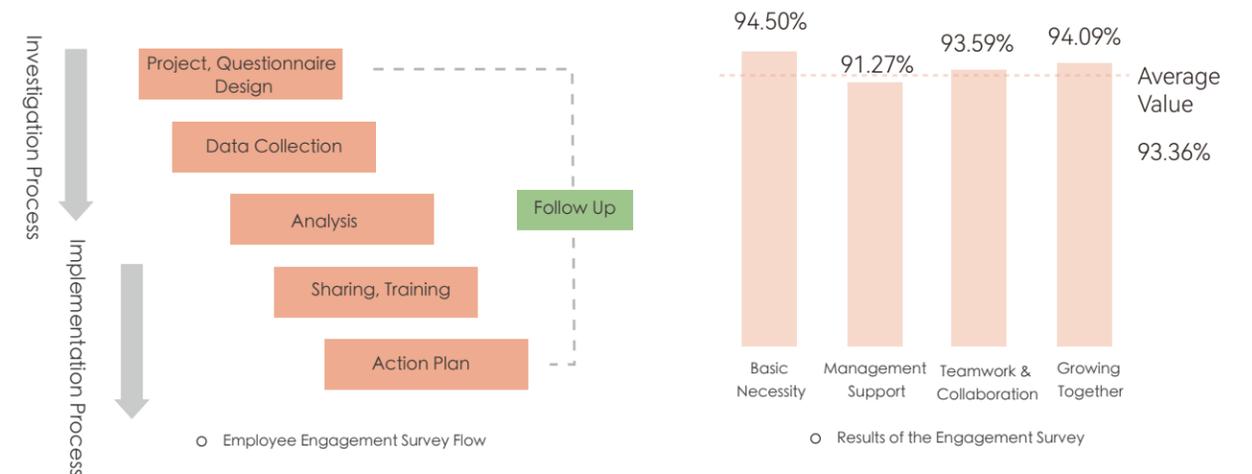
During the reporting period,

1 proposals were considered and approved by the Employees Congress,

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

Employee Engagement

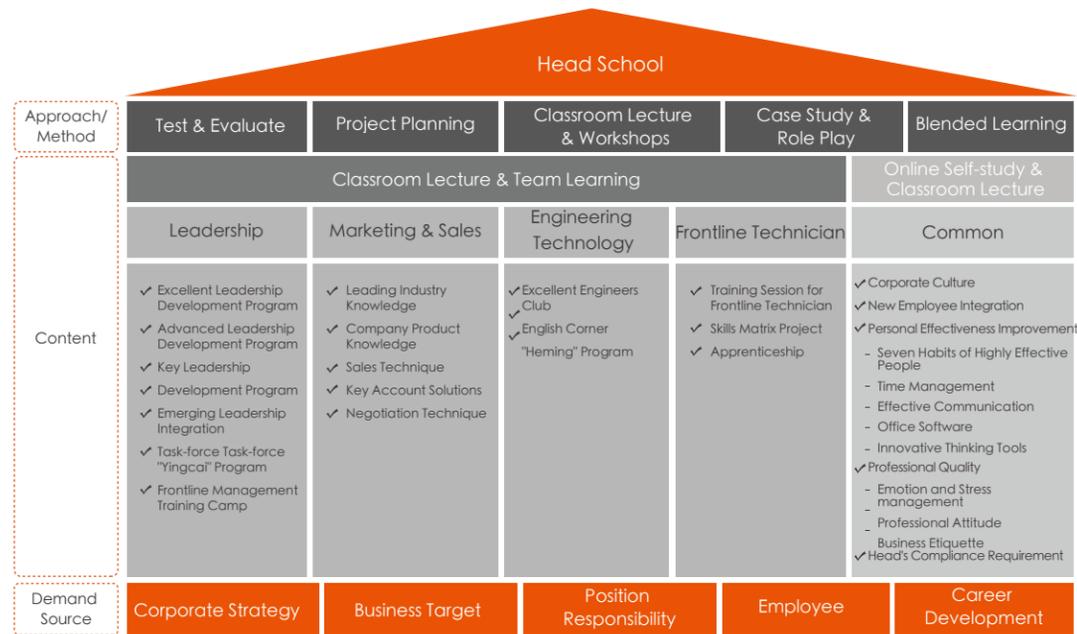
In order to better understand the needs of employees and further promote the construction of corporate culture, the Company conducted an employee engagement survey during the reporting period. The number of participants in the survey was **1,827**, with **1,805** valid questionnaires, the employee participation rate was **98.6%**, and the employee engagement degree was **93.4%**. These data not only demonstrate the high level of employee recognition and loyalty to the Company, but also reflect an effective response to management's efforts to support and motivate employees.



Growth and Development

Career Training System

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



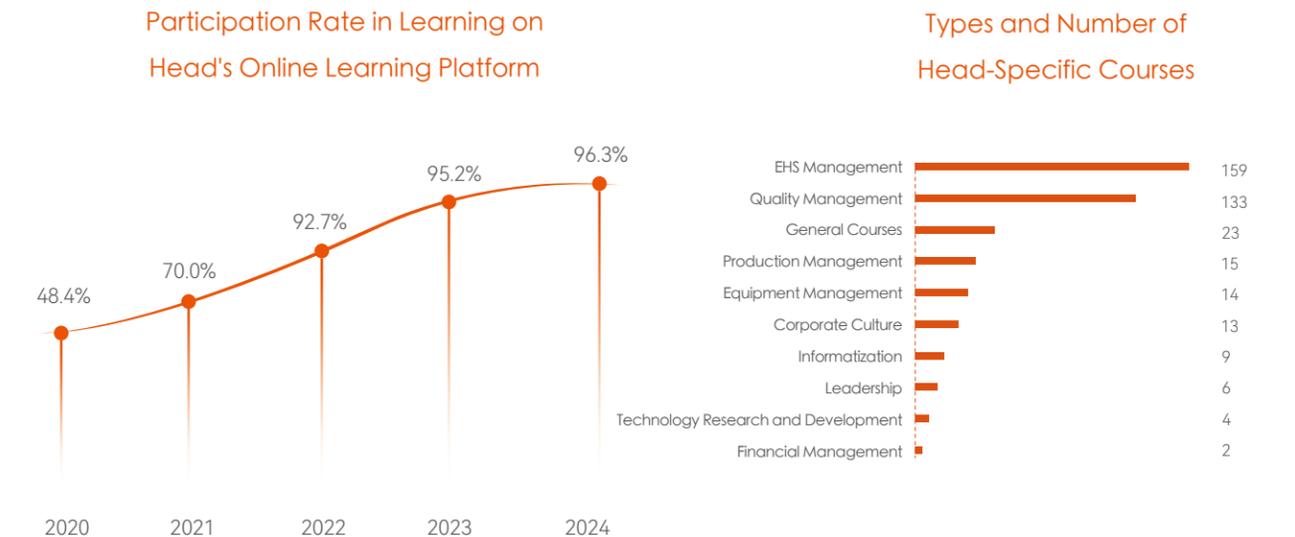
○ The Company's Training and Talent Development System

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

Indicator	Unit	2022	2023	2024
Number of training sessions	Times	355	416	481
Total number of participants trained	Persons	1,689	1,596	1,827
Total number of person-times trained	Person Times	33,857	57,321	41,822
Employee training coverage rate	%	100	100	100
Total duration of training	Hours	118,780	97,890.06	97,147
Average annual training hours of employees	Hours per Person	67.91	60.91	53.47

Online Learning Platform

The Company has established an optimal Online Learning Platform Management System to guarantee the effective utilization of the online learning platform. The platform offers a comprehensive array of course resources encompassing a multitude of subjects pertaining to the Company's business, management, and skills, including online videos, courseware, case studies, which fully meets the diversified learning needs of employees. The online learning platform has been implemented across the entire workforce, with a total of 2,642 courses now available. Of these, 2,264 are platform courses and 378 are Head-specific courses. The wide application of the online learning platform further promotes the learning and development of employees, and improves the knowledge level and business ability of the whole team.



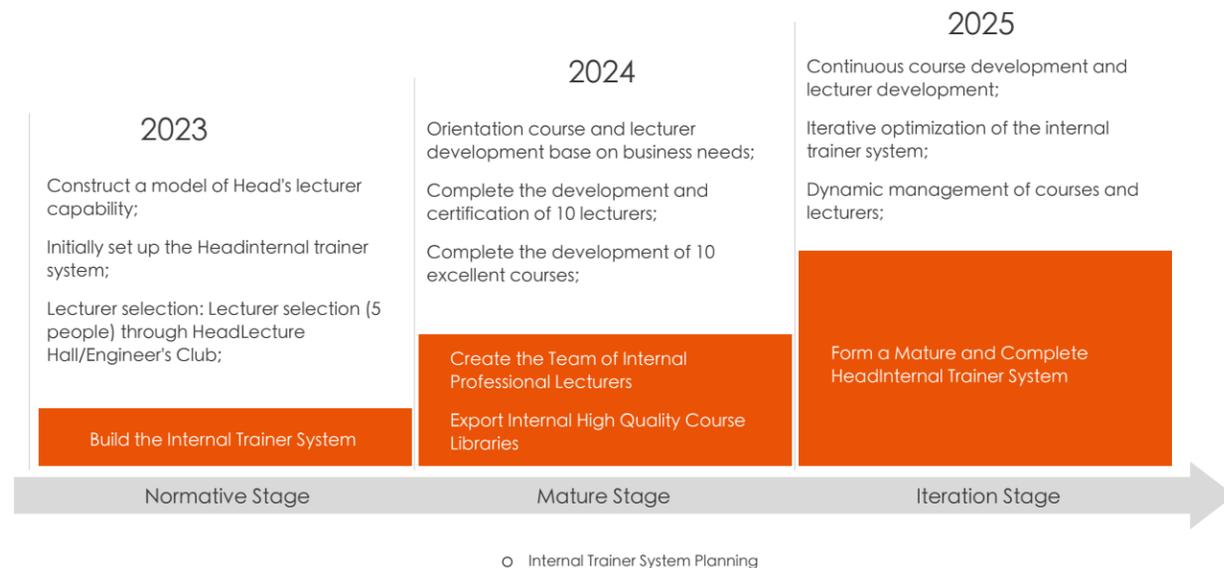
Faculty Development

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

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

The First Phase Internal Trainer Development Program

The company continuously carries out the internal trainer development program, aiming to select talents from various professional positions who have both the passion for sharing and the ability for continuous self-improvement, and incorporate them into Head's internal trainer group. After rigorous selection and evaluation, the company has successfully selected 12 outstanding internal trainers. They will become the core internal training force of the company and contribute significantly to the company's talent cultivation and development.



Talent Development Project

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

Leadership Development Program

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



Leadership Development Program

Engineer Development Program

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



○ Excellent Engineer Club



Frontline Management Development Program

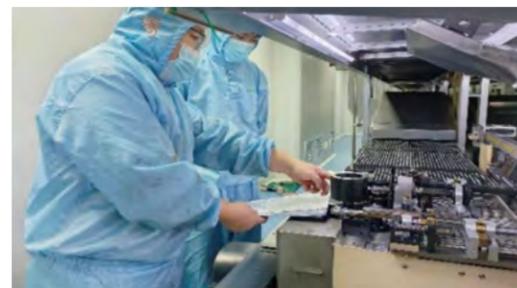
Through the Frontline Management Training Camp/TWI, the Company helps frontline managers to enhance their competency, build Head's responsible, well-skilled and manageable frontline management team, so as to improve the cohesion, motivation and execution of the primary team.



○ Frontline Management Development Plan

Skilled Worker Development Program

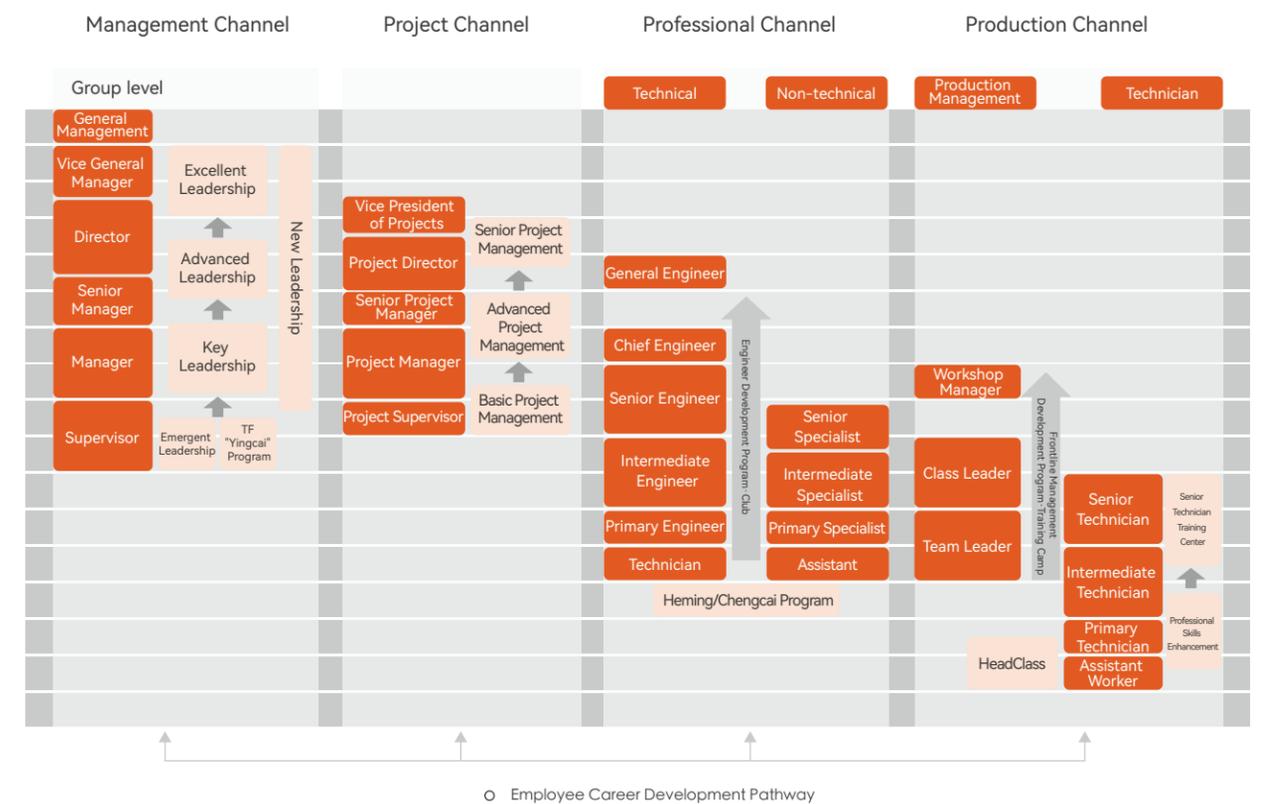
With the guidance of the Skilled Worker Ranking System, the frontline operators are incentive to continuously improve their operating skills to ensure the stable improvement of production and product quality.



○ Frontline Employees Skills Training

Employee Development Channel

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



○ Employee Career Development Pathway

Key Performance

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

manager and above positions was **76.67%**.

Occupational Health and Safety

Occupational Health and Safety System

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



○ Certification of Occupational Health and Safety Management System

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

Occupational Health and Safety Goals	Goals in 2024 (Item)	Achievement
Death and major disability accidents (including contractors)	0	Achieved
Acute occupational health poisoning accidents	0	
Occupational disease accidents	0	
Fire accidents with economic losses \geq CNY50,000	0	
Open fire accidents	≤ 1	

Safety Responsibility

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

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

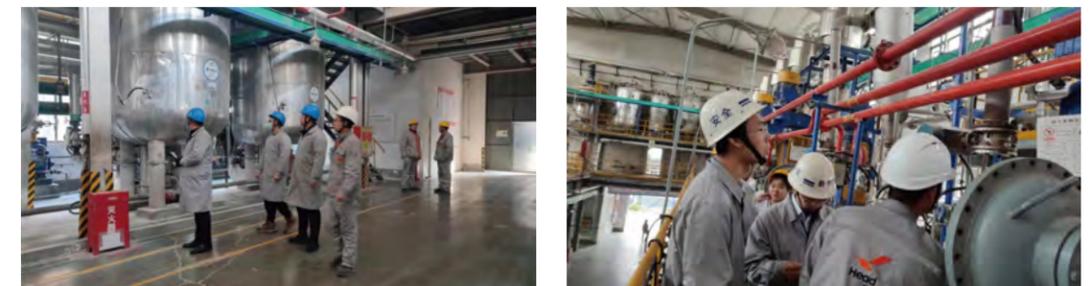
Graded Assessment of Safety Accountability

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

Safety Production Risk Management

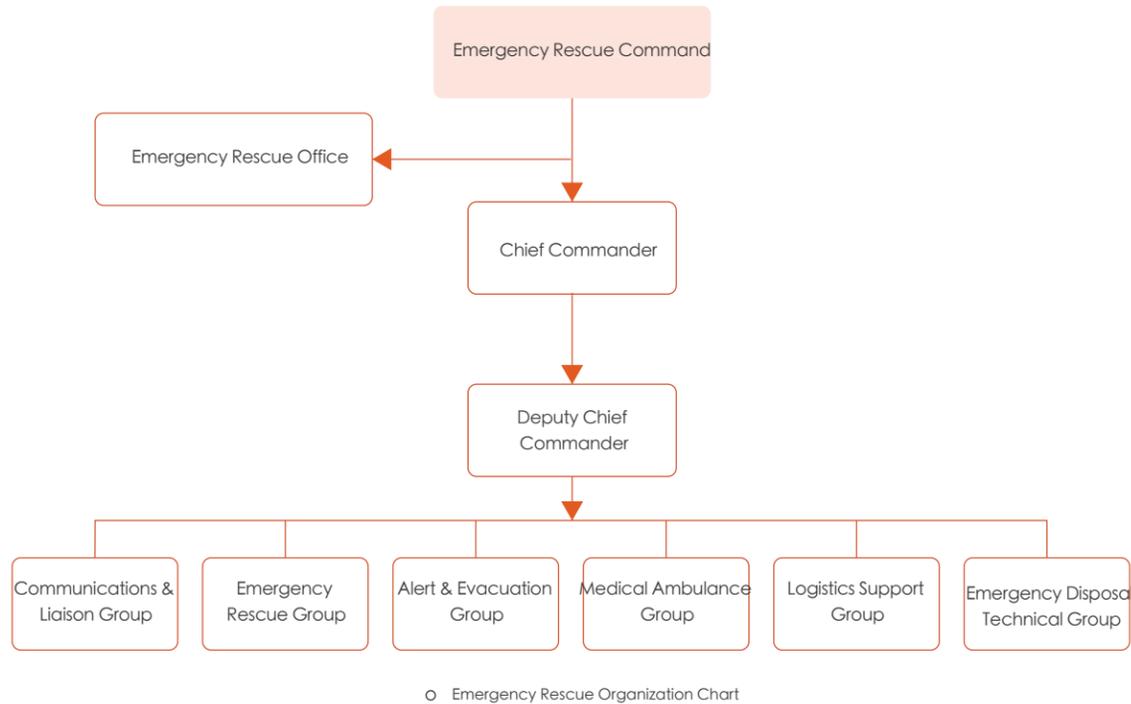
Head Group has established Control Procedures for Identification and Evaluation of Danger Sources, the Management System for Investigation and Management of Hidden Risks, and the Management System for Significant Danger Sources, which completely cover the entire process of the Company's activities, products,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

The Company has formulated a hidden risks investigation plan and a special audit plan for 2023, and strengthened the daily hidden risks investigation work of safety management personnel to ensure the timely detection and handling of hidden safety problems. Meanwhile, the Company actively cooperated with government safety inspections, accepting and implementing the guidance and suggestions from relevant departments. During the reporting period, the Company conducted a total of 58 general, special, seasonal and holiday safety inspections and 39 special audits, as well as daily hidden risks inspections, and all identified hidden risks were dealt with promptly.



○ On-Site Hidden Risks Inspection of the Company

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



Organize Emergency Knowledge Training

In June 2024, the company's Safety Department organized a full - staff emergency knowledge training, systematically enhancing risk identification and emergency response capabilities through theoretical instruction, simulation drills, and case analysis. The event focused on safe production compliance management, optimizing emergency plans and improving the dual - prevention mechanism to strengthen safety governance effectiveness. Subsequently, it will deepen the integration of safety culture into the ESG system, using resilience building to safeguard employee well - being and firmly establish the foundation for sustainable development.



Safety Management Initiative

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

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

Safety for All, All Ready to Emergencies



We have always attached great importance to safety, and has done a lot of things to prevent and resolve all kinds of safety risks. At the beginning of the year, we meticulously planned the "first lesson of work" safety education activities, the activities adopted online and offline synchronous manner, aiming to deepen the staff's understanding of the importance of safety awareness.

Safety Month Activities

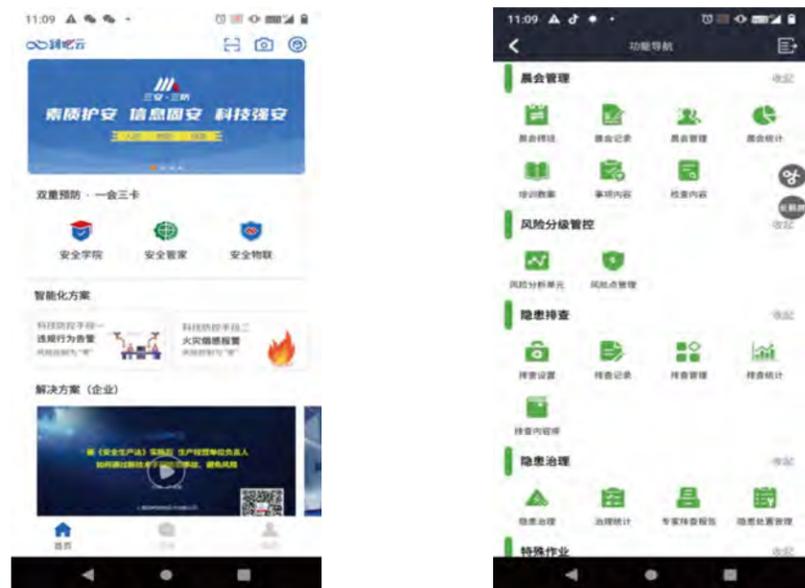
June was the 35th "Work Safety Month" of the Head. We carried out a series of activities such as thematic publicity, education and training, safety experience sharing, safety drill, which effectively enhanced the safety awareness of the staff and ensured the continuous stability of production safety.



Indicator	Unit	2022	2023	2024
Total investment in safety education and training	CNY10,000	8.6	5.8	6.2
Safety education training sessions	Sessions	230	247	269
Participation in safety education and training	Person Times	7,157	8,707	8,421
Total duration of safety education training	Hours	17,590	20,607	17,815
Coverage of safety education and training	%	100	100	100
Coverage of safety risk protection training	%	100	100	100

Security Informationization Platform Construction

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



Health Protection Initiative

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

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



○ Annual Physical Examination

Indicator	Unit	2022	2023	2024
Special operators licensed rate	%	100	100	100
Occupational injury insurance coverage for employees	%	100	100	100
Employee physical examination coverage	%	100	100	100
Occupational disease hazard detection rate	%	100	100	100
Number of new occupational diseases	Cases	0	0	0

Chemical Security

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

Departmental Responsibilities

Safety Department

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

Procurement Department

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

General Workshop

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

Logistics Management Department

Storage and issuance of hazardous chemicals from warehouses.

Utilization Department

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

Hazardous Chemical Safety Training

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



Delivering Warmth and Care

- Community Welfare
- Corporate Volunteering



Community Welfare

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

Key Performance

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

Visit Poor Families

In January 2024, the Company went to Dongpu Village to visit the poor families who were assisted by the point, and sent them care and warmth. Through this condolence activity, we not only passed on love and warmth, but also showed the good image of the Company and social responsibility. They use their own practical actions to interpret the profound connotation of "corporate citizenship" and contribute their own strength to the construction of a harmonious society.



Participate in 2023 Zhoucun District Charity Donation Activity

Head group always adheres to practicing the corporate mission of "Care for Employee Growth and Promote Social Prosperity" with practical actions. During the reporting period, Head group donated 150,000 yuan to Zhoucun District Charity Federation to support the development of local charitable causes.



Head Group Organized the Public Welfare Activity

2024 In August, the Company's labor union sent heat-prevention items to the sanitation workers to express the respect and honor to the frontline builders in the city. In the future, the Group's labor union will continue to hold public welfare activities to care for the health and safety of the Group's employees and frontline builders in the society, and pay tribute to every worker.



College Students' Employment Experience Day

In 2024, the company held the College Students' Employment Experience Day event, inviting more than 100 college students to immerse themselves in practical experiences at positions such as production, R&D, and green intelligent manufacturing. Through career - planning guidance, skills training, and interaction with corporate mentors, it helped enhance the vocational capabilities of young people. The event collaborated with local universities to deepen school - enterprise collaboration, transmitted concepts of sustainable development and awareness of social responsibility, and promoted the inclusive sharing of employment resources. In the future, the company will continue to expand paths of public - welfare empowerment, contributing corporate strength to stabilizing employment and promoting development.



Corporate Volunteering

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

Key Performance

By the end of the reporting period, the Company established the Head volunteer service team,

with **63** volunteers.

During the reporting period, a total of **17** volunteer activities were conducted, with **588** person-times participating in volunteer services and **742** hours of volunteer service.

Head Arbor Day Activities

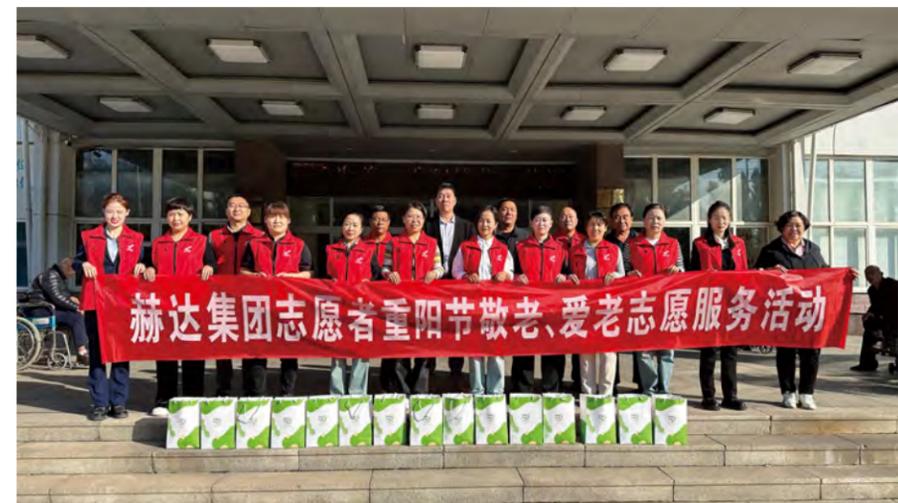
On 16th March, Head Group organized the Arbor Day activities, in which a group of more than 20 members of Head Volunteer Team went to plant trees in Head's Gaoqing factory.

This activity reflects the teamwork spirit of Head people, makes the concept of green environmental protection more deeply rooted in people's hearts, and drives more people to join in the action of caring for the environment.



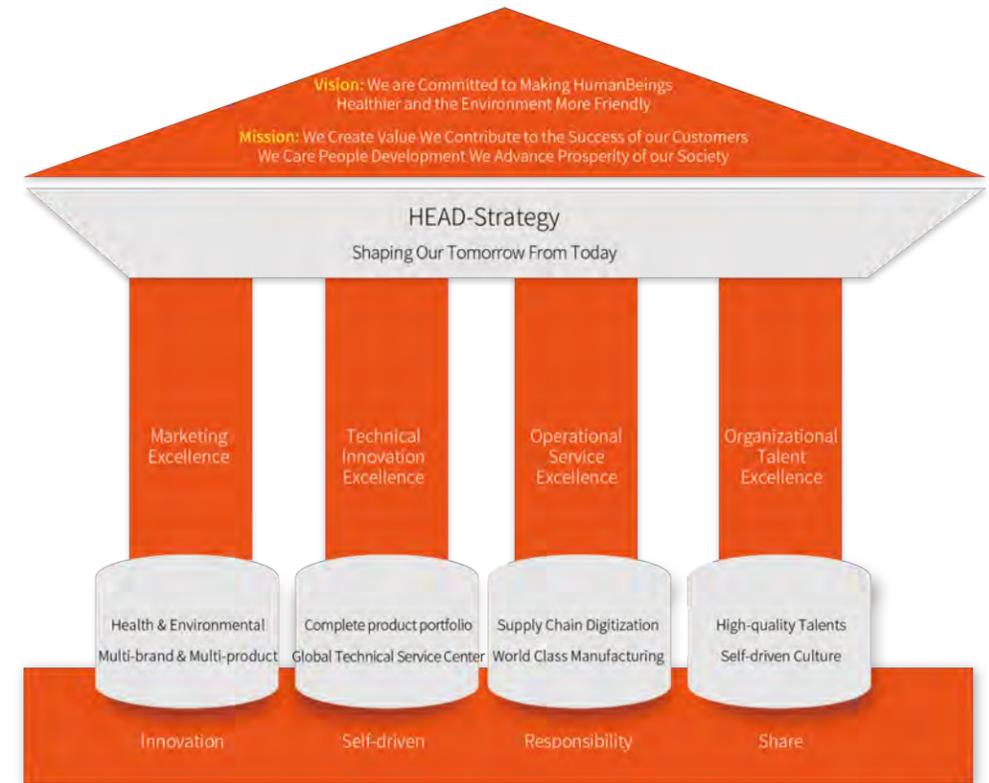
Double Ninth Festival Respect the Elderly, Love the Elderly Volunteer Service

In October 2024, Head Group, jointly with Xingfu Yuan Community, carried out the elderly - respect activity titled "Prosperous Chongyang, Warmth in Xingfu Yuan". The group's volunteers presented comfort items to the elderly, bringing them festive greetings and blessings. This volunteer activity not only enriched the later life of the community's elderly but also made them feel the care and warmth from Head Group.



For the future

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



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

Appendix

ESG Performance

	Indicator	Unit	2024
Governance Performance	General Meeting Convened	Time	4
	General Meeting Deliberated Motions	Item	23
	Board of Directors Size	Person	7
	Independent Directors	Person	3
	Non-independent Directors	Person	4
	41-50 Years Old	Person	2
	51-60 Years Old	Person	4
	61 Years Old and Above	Person	1
	Bachelor's Degree	Person	3
	Master's Degree	Person	4
	Management	Person	2
	Accounting	Person	2
	Law	Person	1
	Engineering	Person	2
	Board Meeting Convened	Time	11
	Board Meeting Deliberated Motions	Item	40
	Directors' Average Attendance Rate	%	100
	Special Committee Convened	Time	12
	Special Committee Deliberated Motions	Item	25
	Supervisory Board Size	Person	3
	Supervisory Board Meeting Convened	Time	6
	Supervisory Board Meeting Deliberated Motions	Item	26
	Supervisors' Average Attendance Rate	%	100
	Internal Risk Training	Time	5

	Indicator	Unit	2024
Governance Performance	Internal Risk Training Duration	Hour	5
	Internal Risk Training Person - times	Person-time	117
	Actual Tax Paid	CNY10,000	11,609
	Proportion of Integrity Commitment Signed	%	100
	Signing of Integrity Agreements with Partners	Copy	1,030
	Disclosure of Regular Reports	Copy	6
	Disclosure of Temporary Announcements	Copy	108
	Number of Penalties for Information Disclosure Violations	Time	0
	Cash Dividend per 10 Shares	CNY	1.5
	Total Cash Dividend	CNY10,000	52,220,528.10
	Proportion of Net Profit Attributable to Shareholders of Listed Company in Consolidated Financial Statements	%	23.56
	Investor Communication Meeting Convened	Time	1
	Environmental Performance	Address Climate Change	
Total Greenhouse Gas Emissions (Scope 1 + Scope 2)		tCO ₂ e	254,932
Greenhouse Gas Emission Reductions		tCO ₂ e	1,737
Direct Greenhouse Gas Emissions (Scope 1)		tCO ₂ e	7,936
Indirect Greenhouse Gas Emissions (Scope 2)		tCO ₂ e	246,996

	Indicator	Unit	2024
Environmental Performance	Energy and Resource Management		
	Natural Gas Consumption	Milion m ³	3.82
	Total Purchased Electricity	Milion kWh	254.03
	Total Purchased Heat Energy	GJ	1,006,205
	Photovoltaic Power Generation	Milion kWh	2.34
	Three Wastes Management		
	Exhaust Gas Compliance Discharge Rate	%	100
	Wastewater Compliance Discharge Rate	%	100
	Compliance Disposal Rate of Hazardous Waste	%	100
	Chemical Oxygen Demand (COD) in Discharged Wastewater	Ton	86.67
	Ammonia Nitrogen (NH ₃ -N) in Discharged Wastewater	Ton	1.47
	Nitrogen Oxides (NOX) in Discharged Exhaust Gas	Ton	5.68
	Sulfides (SOX) in Discharged Exhaust Gas	Ton	0.41
	Volatile Organic Compounds (VOCs)	Ton	5.63
	Particulate Matter (PM) in Discharged Exhaust Gas	Ton	1.60

	Indicator	Unit	2022	2023	2024
Environmental Performance	Environmental Management				
	Total Environmental Protection Investment	CNY10,000	4,902.12	8,804.43	16,357.04
	Proportion of Total Environmental Protection Investment to Operating Income	%	2.84	5.66	8.36
	Environmental Protection-related Specialized Training	Times	4	4	4
	Participation Number in Environmental Protection-related Specialized Training	Person	755	820	783
	Duration of Environmental Protection-related Specialized Training	Hours	6	6.5	6
Industrial Performance	R&D Innovation and Intellectual Property Protection				
	R&D Investment	CNY10,000	6,778	6,665	9,057
	Proportion of R&D Investment to Operating Income	%	3.93	4.28	4.63

	Indicator	Unit	2024	
Industrial Performance	R&D Innovation and Intellectual Property Protection			
	Total R&D Technical Staff		Persons	238
	Gender	Male	Persons	160
		Female	Persons	78
	Age	Under 30 years old	Persons	72
		30-40 years old	Persons	128
		40 years old and older	Persons	38
	Educational Structure	PhD	Persons	1
		Master	Persons	22
		Bachelor	Persons	96
		Below associate	Persons	119
	Number of new patents		Items	21
	Number of new utility model patents		Items	14
	Cumulative number of patents		Items	126
	Cumulative number of patents for inventions		Items	27
	Cumulative number of patents for utility model		Items	99
	Product Responsibility			
	Times of risk assessments conducted		Times	35
	Product pass rate(Cellulose ether division)		%	99.99
	Product pass rate(Healsee capsule division)		%	100
	Annual quality internal audit		Times	6
Sampling by third-party organizations		Times	13	
Negative public opinion of company		Times	0	
Number of products withdrawn and recalled for health and safety reasons		Items	0	
Number of persons trained in quality culture		Person-time	7,706	
Total duration of quality culture training		Hours	203	
Number of quality culture training		Times	100	
Customer Service and Responsible Supply				
Customer complaint handling rate		%	100	
Number of customer satisfaction questionnaires distributed	Domestic	Pieces	134	
	Overseas	Pieces	102	
Number of customer satisfaction survey questionnaires returned	Domestic	Pieces	110	
	Overseas	Pieces	78	

Indicator		Unit	2024		
Industrial Performance	Customer satisfaction	%	Domestic	94	
			Overseas	95	
	Number of incidents of leakage of customer information	Cases	Domestic	0	
			Overseas	0	
	Losses caused by violation of relevant laws and regulations	CNY10,000	Domestic	0	
			Overseas	0	
	Signing rate of Supplier Code of Conduct	%	100		
	Information Security				
	Information security and privacy protection breaches	Cases	0		
	Number of information security training	Times	3		
	Number of participants in information security training	Persons	1,790		
	Employee coverage of information security training	%	98		
	Social Welfare				
	Total public welfare investment	CNY10,000	47		
	Participation in volunteer activities	Person-time	588		
Number of volunteer activities	Times	17			
Total hours of volunteer activities	Hours	742			

Indicator		Unit	2022	2023	2024
Labour Relationship Management					
Total number of employees		Persons	1,693	1,599	1,827
Number of employees by gender	Male	Persons	1,183	1,117	1,281
	Female	Persons	510	482	546
Number of employees by grade	Senior Management	Persons	8	5	5
	Middle Management	Persons	100	106	120
	Primary Employee	Persons	1,585	1,488	1,701
Number of employees by age	Under 30 years old	Persons	380	352	404
	30-40 years old	Persons	625	597	658

Indicator		Unit	2022	2023	2024
Number of employees by age	40-50 years old	Persons	458	429	501
	50 years old and older	Persons	230	221	264
Number of employees by education level	PhD	Persons	1	1	2
	Master	Persons	28	35	38
	Bachelor	Persons	256	267	299
	Associate	Persons	520	500	641
Number of employees by profession	Below Associate	Persons	888	796	847
	Production	Persons	1,205	1,145	1,340
	Sales	Persons	79	80	80
	R&D Technology	Persons	233	226	238
	Finance	Persons	23	19	26
Others	Persons	153	129	143	
Employee turnover rate		%	12.3	10.7	7.20
By gender	Male	%	13.6	11.3	9.5
	Female	%	8.9	9	3.5
By age	Under 30 years old	%	17.4	12.4	11.9
	30-40 years old	%	13.4	11.5	7.5
	40-50 years old	%	7.7	9.6	4.3
	50 years old and older	%	4.5	6.8	2.8
Labour contract signing rate		%	100	100	100
Incidents of labour discrimination		Cases	0	0	0
Helping workers in difficulty		Persons	10	14	10
Social insurance coverage		%	100	100	100
Welfare expenditure		CNY10,000	617.7	455	452
Number of employees on maternity leave		Persons	20	28	16
Maternity leave return rate		%	100	100	100
Percentage of women in management		%	19	21	24
Proposal adopted by workers and employees' congress		Items	4	3	1
Proportion of trade union members among active employees		%	100	100	100
Employee participation rate in engagement surveys		%	-	98.6	98.8

Indicator		Unit	2022	2023	2024
Employee Performance	Employee engagement	%	-	93.1	93.4
	Staff Training and Development				
	Staff training sessions	Times	355	416	481
	Total number of persons trained	Persons	1,689	1,596	1,827
	Total number of persons trained	Person-time	33,857	57,321	41,822
	Staff training coverage rate	%	100	100	100
	Total duration of training	Hours	118,780	97,890	97,147
	Average annual training hours of employees	Hours/Persons	67.91	60.91	53.47
	Percentage of internal promotions (manager and above)	%	29.5	47.8	76.67
	Occupational Health and Safety				
	Number of security inspections	Times	24	26	58
	Number of security emergency drills	Times	69	84	75
	Total investment in safety education training	CNY10,000	8.6	5.8	5.8
	Number of safety education training	Cases	230	247	269
	Total number of participants in security education training	Person-time	7,157	8,707	8,421
	Total hours of safety education training	Hours	17,590	20,607	17,815
	Ratio of safety education training coverage	%	100	100	100
	Safety risk protection training coverage rate	%	100	100	100
	Percentage of special operators licensed to work	%	100	100	100
	Occupational injury insurance coverage for employees	%	100	100	100
	Employee medical examination coverage rate	%	100	100	100
	Occupational disease hazard detection rate	%	100	100	100
	Number of new occupational diseases	Cases	0	0	0

Shenzhen Stock Exchange Guidelines on Social Responsibility of Listed Companies

Self - Regulatory Guidance No. 17 for Listed Companies of Shenzhen Stock Exchange — Sustainable Development Report (For Trial Implementation)	Sections and/or Explanations
Addressing Climate Change	Addressing Climate Change
Pollutant Emissions	Environmental Compliance Management
Waste Treatment	Environmental Compliance Management
Ecosystem and Biodiversity Protection	Environmental Compliance Management
Environmental Compliance Management	Environmental Compliance Management
Energy Utilization	Energy Utilization & Conservation
Water Resource Utilization	Environmental Compliance Management
Circular Economy	Environmental Compliance Management
Rural Revitalization	Community Welfare
Social Contribution	Community Welfare, Corporate Volunteering
Innovation - driven	R&D and Innovations

Self - Regulatory Guidance No. 17 for Listed Companies of Shenzhen Stock Exchange — Sustainable Development Report (For Trial Implementation)	Sections and/or Explanations
Technology Ethics	The company has not engaged in scientific research, technology development and other activities in technology ethics - sensitive fields such as life science and artificial intelligence.
Supply Chain Security	Sustainable Procurement
Treat Small and Medium - Sized Enterprises Equally	During the reporting period, in accordance with regulations, information on overdue payments to small and medium - sized enterprises was publicized to the public through the National Enterprise Information Publicity System. The company did not have any situation of overdue payments to small and medium - sized enterprises.
Products and Services Safety and Quality	Product Responsibility Customer Rights and Interests Protection
Data Security and Customer Privacy Protection	Digital Construction Information Security
Employees	Labor Relationship Management Employee Care Employee Training and Development Occupational Health and Safety
Due Diligence	Stakeholder Communication
Stakeholder Communication	Stakeholder Communication
Anti - Commercial Bribery and Anti - Corruption	Business Ethics
Anti - Unfair Competition	Business Ethics

Indicator Index

Framework	Content	Guide to Corporate Social Responsibility Reporting in China (CASS-ESG 6.0)	Sustainability Reporting Standards
About the Report		P1.1/P1.2	GRI 2
Messages from Chairman		P2.1	/
About Head Group		P3.1/P3.2/P3.3/P3.4	GRI 2
Sustainable Development Management	Sustainable Development Guidelines	G1.1.7	GRI 2
	Sustainable Development Structure	G1.1.1/G1.1.2/G1.1.3/G1.1.4/G1.1.5	GRI 2
	Sustainable Development Goals	G1.1.10/G1.1.11	GRI 2
Materiality Assessment	Stakeholder Engagement	G1.3	GRI 1
	Double Materiality Analysis	G1.1.9	GRI 3
Building a Compliant and Stable Governance System	Corporate Governance	P3.1	GRI 2
	Compliance Risk Control	G1.2	GRI 2
	Ethical Business	G2.1/G2.2	GRI 205/206
	Investor Relationship	/	/
Shaping an Eco-Friendly Future	Addressing Climate Change	E1.1	GRI 201/305
	Energy Utilization & Conservation	E1.1/E3.3	GRI 302
	Environmental Compliance Management	E2.1/E2.2/E2.3/E2.4/E3.2	GRI 303/305/306

Framework	Content	Guide to Corporate Social Responsibility Reporting in China (CASS-ESG 6.0)	Sustainability Reporting Standards
Generating Exceptional Social Impact and Value	R&D and Innovations	S2.1	GRI 2
	Product Responsibility	S3.3.1/S3.3.2/S3.3.3/S3.3.4/S3.3.5	GRI 2/416
	Customer Rights and Interests Protection	S3.3.6	GRI 416/418
	Sustainable Procurement	S3.1	GRI 204/308/414
	Digital Transformation	/	/
	Information Security	S3.4	GRI 418
Inspiring Talents and Career Development	Employee Relationship Management	S4.1	GRI 401/402/405/406/408/409
	Employee Well-being	/	/
	Training and Development	S4.3	GRI 404
	Occupational Health and Safety	S4.2	GRI 403
Delivering Warmth and Care	Community Welfare	S1.2	GRI 413
	Corporate Volunteering	S1.2	GRI 2
For the Future		A1	GRI 2
Appendix	ESG Performance	A2	GRI 1/2
	Shenzhen Stock Exchange Guidelines on Social Responsibility of Listed Companies	A3	/
	Indicator Index	A3	GRI 1
	Feedback Form	A6	GRI 2

Feedback Form

Dear readers,

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

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Overall evaluation of this report:

Excellent Good Average Poor Bad

How do you rate our performance in Stakeholder Engagement?

Excellent Good Average Poor Bad

How do you rate our performance in Addressing Climate Change?

Excellent Good Average Poor Bad

How do you rate our performance in Product Responsibility?

Excellent Good Average Poor Bad

How do you rate our performance in R&D Innovation?

Excellent Good Average Poor Bad

How do you rate our performance in Employee Responsibility?

Excellent Good Average Poor Bad

How do you rate our performance in Social Philanthropy?

Excellent Good Average Poor Bad

What are your comments and suggestions regarding our ESG performance and this report?

