



# 2024

## Sustainability Report



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Dongguan Hongfu Biotechnology Co., Ltd.

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# Introduction



This report is the third sustainability report released by Dongguan Hongfu Biotechnology Co., Ltd. (hereinafter referred to as “Hongfu,” “we,” or “the Company”), which provides a detailed account of the Company’s management, practices, and performance in sustainable development. The reporting period is from January 1, 2024 to December 31, 2024. To enhance the comparability and completeness of the report, certain content or descriptions may extend beyond the aforementioned timeframe.

## Basis of Preparation

This report is prepared with reference to the Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial), the Corporate Sustainability Disclosure Standards—Basic Standards (Trial) jointly issued by the Ministry of Finance and eight other departments, the Guidelines No. 4 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Preparation of Sustainability Reports, the Global Sustainability Standards Board (GSSB) publication GRI Sustainability Reporting Standards (GRI Standards), the United Nations Sustainable Development Goals (UN SDGs), and the SASB Standards—Tobacco, taking into account the industry background and the Company’s current situation and practical experience in sustainability.

## Report Scope

Unless otherwise specified, this report encompasses Dongguan Hongfu Biotechnology Co., Ltd. (referred to as “Hongfu”).

## Data Statement

The data and cases disclosed in this report are primarily sourced from the Company’s statistical reports and relevant documents. The Company commits to the absence of any false records, misleading statements or material omissions in this report, and takes responsibility for the authenticity, accuracy, and completeness of its content. Unless otherwise specified, all amounts disclosed are denominated in RMB.

## Report Accessibility

This report is available in both Chinese and English versions for readers’ reference. You can access and download the electronic text of this report on the Company’s official website (<http://www.hfflavor.com>). In case of any discrepancies between the Chinese and English versions of this report, the Chinese version shall prevail.

To continuously enhance our sustainability management and improve the quality of information disclosure, we welcome any questions or suggestions regarding this report or our sustainability initiatives. Please feel free to contact us through the following means so that we can jointly promote the Company’s sustainability work to a higher level:

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# Message from Senior Management

Amid the global trend of tobacco control, harm reduction, and the pursuit of healthier consumption, Hongfu has always adhered to the corporate mission of “leveraging the power of science and technology to make people’s life healthier”, treating sustainability as the cornerstone of our existence. Accordingly, we have developed a sustainability strategy across five dimensions: Corporate governance, responsible marketing, product responsibility, environmental responsibility, and social responsibility. Through this report, we present our practices and commitments while maintaining effective communication with stakeholders.

## Building a transparent system and strengthening the foundation of compliance

We remain committed to a sustainability governance and operational mechanism driven by the Board of Directors with active stakeholder participation. Certain sustainability indicators have been incorporated into the KPI assessments of senior management. The key to sustainability lies in building the capacity to manage risks and seize opportunities. In 2024, we identified and assessed potential risks in business ethics, climate change response, product quality, R&D innovation, customer service, data security, supplier management, and workplace safety. We proposed risk mitigation measures, assigned responsible departments, and enhanced risk prevention capabilities. By continuously improving our corporate governance, we aim to enhance our risk management capacity, realize value through development, seize opportunities, and surpass ourselves.

## Upholding compliance and promoting rational consumption

We fully recognize the unique nature of the e-cigarette industry and consistently follow the marketing principle of “zero contact with minors, zero misleading of consumers.” We have formulated the Code of Conduct Management System for sales personnel and strictly comply with regulatory requirements for the e-cigarette industry both domestically and internationally. Our product packaging clearly indicates valid ingredient information and is accompanied by relevant certifications to ensure traceability. We refuse to pursue short-term gains through deceptive marketing and always prioritize consumer health over commercial objectives.

## Taking safety as the cornerstone, and harm reduction as the mission

As an innovator in the core technologies of e-liquid, we achieve product safety and innovation through full-chain management. We have established joint technical R&D platforms with customers in Europe, the United States, Japan, and other regions, focusing on developing technologies related to e-liquid and nicotine. For external customers, suppliers, and partners, we continuously strengthen communication and share experiences in sustainability. To prevent banned substances from entering our products, we sign prohibited substances

agreements with partners. We are committed to reducing the environmental and health impacts of our products. Our analytical testing center has been accredited by CNAS. We have independently developed a global regulatory search engine for e-cigarettes, enabling efficient compliance through precise search, rapid positioning, and dynamic monitoring in areas such as ingredient management and risk control.

## Creating a green industrial chain toward a net-zero future

In active response to the national “carbon peaking and carbon neutrality” policy, we have adopted greenhouse gas accounting, energy-saving technological upgrades, recyclable packaging, and green office practices to address climate change and effectively control total and intensity-based greenhouse gas emissions. In 2024, we upgraded our wastewater treatment facilities to further reduce pollutant discharge. Going forward, we will continuously improve resource utilization efficiency and reduce our carbon emissions and energy consumption while providing society and consumers with greener, low-carbon products and services.

## Fostering employee growth and giving back to the community

We fully understand the close connection between enterprises and society, and we have always integrated corporate development with social responsibility. In 2024, we further optimized a diversified and equitable workplace and career development system. Drawing upon our corporate strengths, we expand talent acquisition channels with a focus on precise, in-depth talent cultivation for long-term growth. We also place great emphasis on sustainable community development, actively participating in public welfare through charitable donations and contributing to the creation of better communities.

We firmly believe that the continuous creation of social value will in turn enhance corporate value and business development, ensuring stable and long-term growth. Sustainability is a marathon without a finish line. With the power of technology, Hongfu is committed to making life healthier and safeguarding the future of the industry with a sense of responsibility. We look forward to working with all parties to draw a blueprint for healthy, green, and inclusive development!

Dongguan Hongfu Biotechnology Co., Ltd.  
Chairman: Wang Ye

# About the Company

## Company Profile

Dongguan Hongfu Biotechnology Co., Ltd., established in 2018, is a specialized and high-quality supplier of flavor and fragrance products as well as e-liquid. Integrating research and development, customization, production, sales, and service, the Company boasts a research and development team with over a decade of industry experience. They uphold quality with rigor, scientific approach, and professionalism, developing unique processes based on the characteristics of each product and adopting higher standards for testing to ensure the quality and stability of each product. Every stage, from formulation and mixing to stirring, aging, and filling, undergoes online quality inspections. All raw materials are sourced from globally renowned brands. The Company is equipped with professional QC personnel to conduct quality inspections on the products. Each product undergoes testing for multiple physical and chemical indicators, with GCMS and HPLC adopted for testing. Professional fragrance evaluation and comparative analysis is also conducted. Additionally, the Company can provide quality inspections for certain instruments, ensuring scientific and precise control of product quality. Hongfu fragrances and e-liquid are popular worldwide, with sales extending to regions such as the United States, Europe, Southeast Asia, South Korea, Japan, and Australia. The Company collaborates with numerous renowned global brands and maintains continuous communication with top-notch R&D teams worldwide. Together, they explore and discuss to provide customers with unique formula designs, outstanding quality, and excellent services.

## Corporate Culture

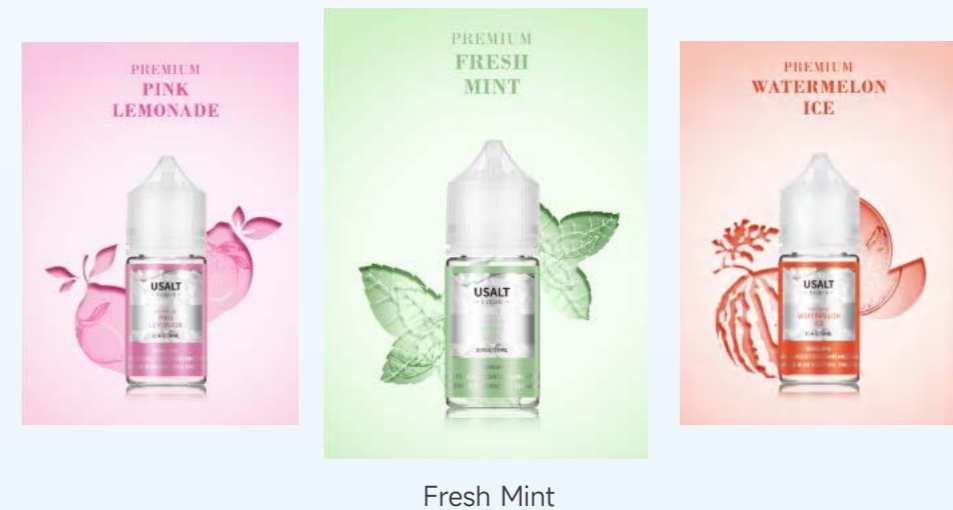
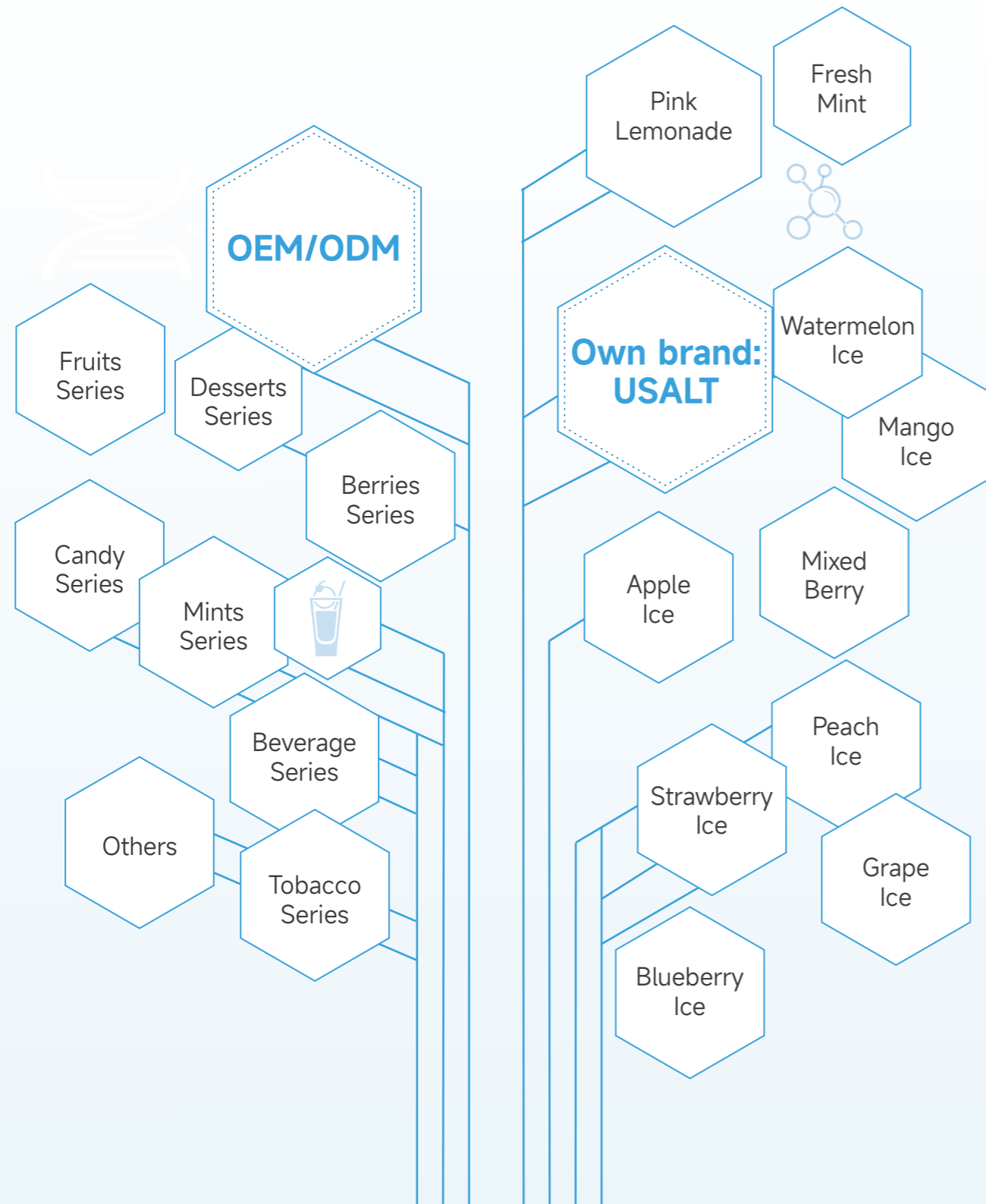




## Milestones



## Product Overview



Fresh Mint

## Company Honors

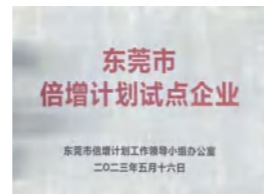
Leveraging the Company's experienced high-quality technical R&D team, key core technologies and advanced R&D equipment for e-liquid research and development, Hongfu became one of the first batch of enterprises to obtain the license for tobacco monopoly production enterprises issued by the state. The Company has also been awarded a number of qualifications and certifications, including National High-tech Enterprise, Guangdong Innovative Small and Medium-sized Enterprises, Guangdong Province Specialized and Special New Small and Medium-sized Enterprises and Dongguan E-Liquid Engineering Technology Research Center, in the leading position among peers. For three consecutive years, the Company has been ranked among the top ten enterprises in Dalang Town in terms of benefit contribution and main business revenue.



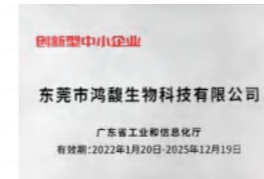
**Top 10 Industrial Enterprises by Benefit Contribution in 2022**  
CPC Dalang Town Committee  
Dalang Town People's Government



**Top 10 Industrial Enterprises by Main Business Revenue in 2022**  
CPC Dalang Town Committee  
Dalang Town People's Government



**Dongguan Multiplication Plan Pilot Enterprise**  
Dongguan Multiplication Plan  
Leading Group Office



**Innovative Small and Medium-Sized Enterprises (SMEs) in Dongguan**  
Department of Industry and Information Technology of Guangdong Province



**Co-organizer of the Seminar on E-cigarette White List Certification and Differentiated Security Inspection Policy**  
Electronic Cigarette Professional Committee of China Electronic Chamber of Commerce



**Drafting Unit of Association Standards "Safety Production Standards of Electronic Cigarettes and Related Products—General Principle"**  
China Safety Industry Association



**Member Unit of the Electronic Cigarette Professional Committee of China Electronic Chamber of Commerce**  
Electronic Cigarette Professional Committee of China Electronic Chamber of Commerce



**2023 Contribution Award for Non-Public Industrial Enterprises (Groups) in Dongguan**  
CPC Dongguan Municipal Committee  
Dongguan Municipal People's Government



**2023 Benefit Contribution Award in Dongguan**  
CPC Dongguan Municipal Committee  
Dongguan Municipal People's Government



**Top 10 Industrial Enterprises by Operating Income in 2023**  
CPC Dalang Town Committee  
Dalang Town People's Government



**2024 Benefit Contribution Award in Dongguan**  
CPC Dongguan Municipal Committee  
Dongguan Municipal People's Government



**Top 10 Industrial Enterprises by Main Business Income in 2024**  
CPC Dalang Town Committee  
Dalang Town People's Government



**Top 10 Industrial Enterprises by Benefit Contribution in 2024**  
CPC Dalang Town Committee  
Dalang Town People's Government



**High Technology Expertise**  
Department of Science and Technology of Guangdong Province  
Department of Finance of Guangdong Province  
Guangdong Provincial Tax Service, State Taxation Administration



**Top 10 Industrial Enterprises by Benefit Contribution in 2023**  
CPC Dalang Town Committee  
Dalang Town People's Government



**2023 Outstanding Partner Award**  
Heaven Gifts



**2023 Outstanding Young Private Entrepreneurs in Dongguan**  
Dongguan Private Entrepreneurs Day Organizing Committee



**Collaboration Supplier**  
QISI



**Lightning Delivery Award**  
QISI



**2024 Strategic Partner Award**  
Shenzhen Reak Technology Co., Ltd.



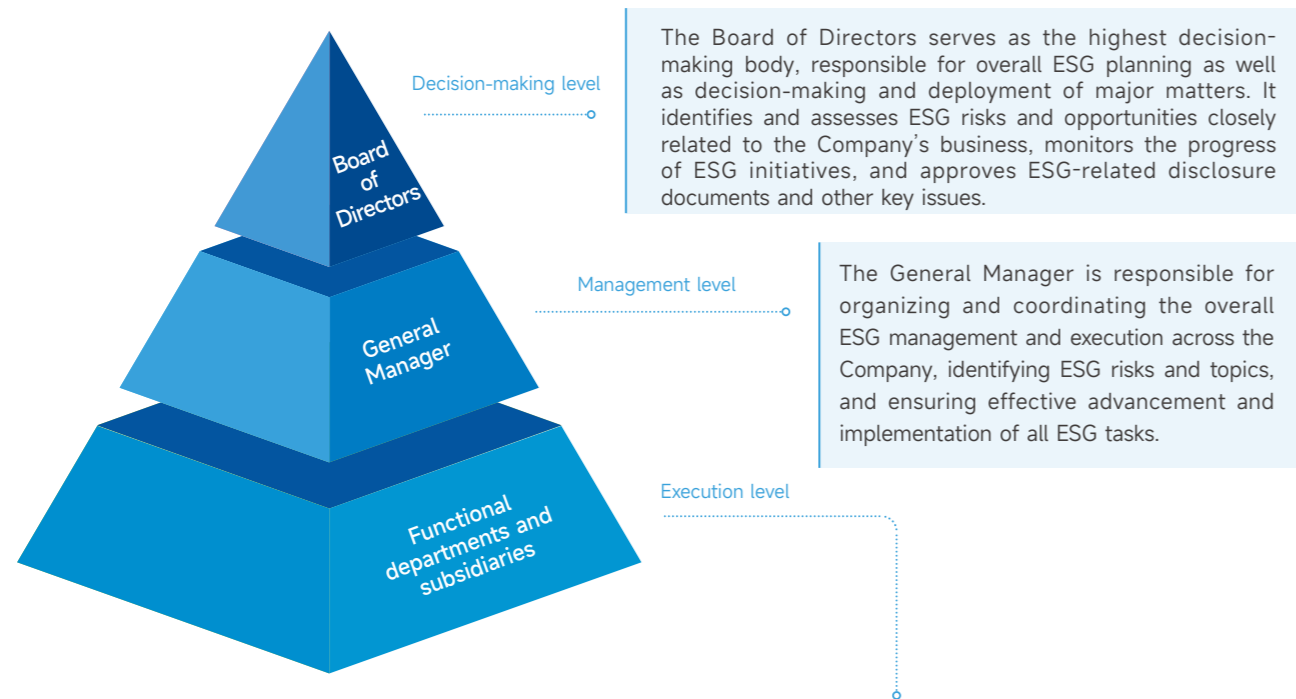
**Internship Base of Shanghai Institute of Technology**

# Sustainable Development Governance

The Company clearly defines the responsibilities and authorities at each level of the ESG governance structure. In the business decision-making process, we comprehensively consider environmental, social, and economic factors, promote stakeholder communication, prioritize the disclosure of material topics, continuously reinforce our operational foundation, deepen the fulfillment of social responsibility, and enhance asset quality and operational efficiency, thereby advancing the Company's long-term sustainable development.

## ESG Governance Structure

Sound ESG governance is of great significance in ensuring stable business operations, responding to emergencies, and seizing development opportunities. The Company has established an ESG governance structure comprising the decision-making, management, and execution levels to ensure the full integration of ESG concepts into our business strategy.



The Board of Directors serves as the highest decision-making body, responsible for overall ESG planning as well as decision-making and deployment of major matters. It identifies and assesses ESG risks and opportunities closely related to the Company's business, monitors the progress of ESG initiatives, and approves ESG-related disclosure documents and other key issues.

The General Manager is responsible for organizing and coordinating the overall ESG management and execution across the Company, identifying ESG risks and topics, and ensuring effective advancement and implementation of all ESG tasks.

Each functional department and subsidiary is responsible for the execution and implementation of ESG-related work. Through regular meetings, they report progress, share feedback, and jointly promote the enhancement of the Company's ESG governance and management capabilities.

▲ ESG governance structure and responsibilities

## Strategic Vision for Sustainable Development

- We are committed to building a transparent and fair corporate governance structure, ensuring the transparency and impartiality of decision-making, strengthening internal controls and risk management, and enhancing corporate stability and reputation.
- We adhere to compliant and responsible marketing strategies, strictly follow domestic and international regulatory policies for the e-cigarette industry, actively promote healthy lifestyles, and ensure the protection of consumers' health rights and interests.
- We strictly control product compliance, continuously improve our R&D and quality control systems, ensure the safety and reliability of our products, and provide healthy, high-quality e-liquids to consumers.
- We regard green development as a key objective of the Company. Through active responses to climate change, green production, energy saving, consumption reduction, and green office practices, we contribute to the protection of the Earth's ecological environment.
- We strive to create an equal, inclusive, and safe working environment for employees, work with suppliers to jointly advance environmental protection and social responsibility, and extend the concept of responsibility throughout the value chain and the broader society.



## Sustainable Development Goals

The Company adheres to a sustainable development strategy, guided by the *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)*. We actively respond to the United Nations Sustainable Development Goals (SDGs) and have established sustainable development goals that are vital to the Company's long-term business development.



Sustainable development strategy	Detailed goals	Progress this year	Goal	Unit
Clear accountability and transparent checks and balances	Establish a global regulatory tracking system to ensure 100% compliance in all business coverage regions	100% compliant	100% compliant	%
	Link the salary for senior management to ESG performance indicators (product qualification rate, customer satisfaction, number of environmental safety incidents, carbon emission intensity, etc.)	Product qualification rate and customer satisfaction indicators have been linked to the salary for senior management	Expected to be achieved by 2027	/
	Establish an ESG Committee at the Board level	Not yet established	Expected to be achieved by 2030	/
Taking integrity as the basis, and rights and interests as the guideline	Confirm the occurrence of any non-compliant marketing incidents	0	0	Number of incidents
Taking quality as the foundation, and safety as the guarantee	Annual R&D investment as a percentage of operating income	3.5	4	%
	Cumulative number of granted patents	35	Expected to have 40 patents granted by 2030	Number of patents
	Number of confirmed customer privacy breach incidents	0	0	Number of incidents
	Establish an environmental toxicity assessment system for e-liquid ingredients and gradually eliminate high-toxicity additives	Not yet established	Expected to be achieved by 2026	/
Green transition, and ecological symbiosis	Carbon emission intensity per unit output value	0.14	Expected to be reduced by 20% by 2030 compared to that in 2024	tCO <sub>2</sub> e/10,000 RMB of output value
	Energy consumption intensity per unit output value	0.0023	Expected to be reduced by 15% by 2030 compared to that in 2024	tce/10,000 RMB of output value
	Compliance rate of exhaust gas and wastewater discharge	100	100	%
	Water consumption intensity	0.13	Expected to be reduced by 10% by 2030 compared to that in 2024	tons/million RMB of revenue
	Illegal disposal rate of hazardous waste	0	0	0
Diversified sharing of duties and benefits	Injury accident rate per 1,000 employees	1.0	Below 2.0‰	‰
	Coverage rate of supplier sustainability performance evaluation	0	Expected to reach 50% by 2025, and 100% by 2027	%

Note: Injury accident rate per 1,000 employees = (Number of work-related injury accidents/Total number of employees) × 1,000

## Stakeholder Communication

The Company places great importance on the expectations and demands of stakeholders and actively engages in regular communication with them to ensure the timely and effective collection and response to their feedback. We maintain close interaction with key stakeholders such as shareholders, customers, and suppliers to gain a deep understanding of their expectations and suggestions regarding sustainability. In our decision-making processes, we fully consider stakeholder input, striving to strike a balance between business development and sustainability goals, thereby achieving mutual benefit and jointly advancing sustainable development practices.

### Concerned issues and communication channels of various stakeholders

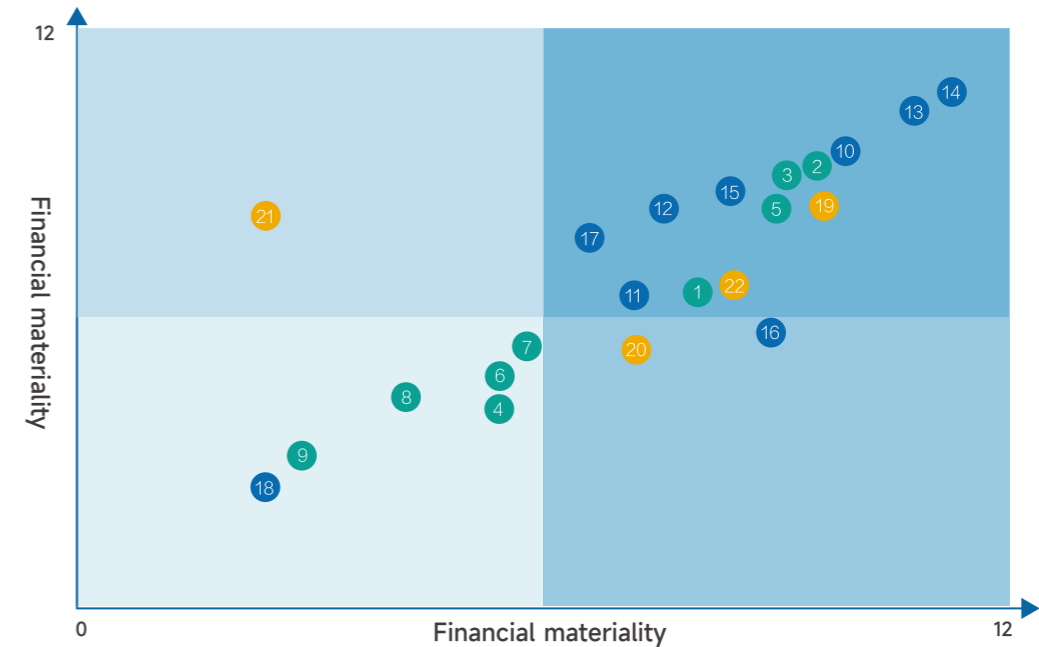
Stakeholders	Concerned issues	Communication channels
Government and regulation institute	<ul style="list-style-type: none"> <li>Lawful and compliant operations</li> <li>Environmental pollution prevention</li> <li>Workplace safety</li> <li>Economic development and employment promotion</li> <li>Fulfillment of social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Regular communication and reporting</li> <li>Active cooperation with supervision and inspections</li> <li>Information submission and disclosure</li> <li>Policy consultation</li> </ul>
Management	<ul style="list-style-type: none"> <li>Lawful and compliant operations</li> <li>Anti-commercial bribery, anti-corruption, and anti-unfair competition</li> </ul>	<ul style="list-style-type: none"> <li>Corporate meetings</li> <li>Online communication</li> <li>Internal and external audits</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Labor rights</li> <li>Salary and benefits</li> <li>Occupational health and safety</li> <li>Employee training and development</li> <li>Diversity and equal opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Labor contract signing</li> <li>Education and training</li> <li>Employee satisfaction surveys</li> <li>Labor union and workers' congress</li> <li>Disclosure of business and management affairs</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Customer relations</li> <li>Product quality assurance</li> <li>Customer privacy protection</li> <li>R&amp;D and innovation management</li> <li>Responsible marketing</li> </ul>	<ul style="list-style-type: none"> <li>Company website</li> <li>ESG report</li> <li>Customer satisfaction surveys</li> <li>Customer service hotline</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Stable partnerships</li> <li>Sustainable supply chain and low-carbon requirements</li> <li>Fair, just, and transparent procurement</li> </ul>	<ul style="list-style-type: none"> <li>Supplier communication and training</li> <li>High-level mutual visits</li> <li>On-site audits and communication</li> <li>Agreement and contract signing</li> </ul>
Industry associations and partners	<ul style="list-style-type: none"> <li>Collaborative innovation and win-win cooperation</li> <li>Industry standard formulation</li> <li>Leadership in green, circular, and low-carbon development</li> <li>Enhanced communication and cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Joint project development</li> <li>Coordination of standard formulation</li> <li>Participation in industry exchange meetings</li> </ul>
Community and public	<ul style="list-style-type: none"> <li>Public welfare activities</li> <li>Pollutant emissions and noise impact</li> <li>Local employment and development promotion</li> </ul>	<ul style="list-style-type: none"> <li>Public welfare activities</li> <li>Community visits</li> <li>Participation in volunteer services</li> <li>Improvement of local employment rate</li> </ul>

## Management of Material Topics

The Company regularly identifies and updates ESG material topics. In 2023, we collected and organized stakeholder concerns and expectations through survey questionnaires and conducted a materiality analysis and assessment of these topics.

This year, referencing the Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial), and in the absence of significant changes in internal or external environments, the Company merged and adjusted certain topics based on the matrix of material topics for 2023. Ultimately, we identified 22 environmental, social, and governance topics.

The Company conducted a dual-materiality assessment of the topics from the two dimensions of "financial materiality" and "impact materiality". By combining the results of financial and impact materiality determinations, the matrix of topics with dual materiality for 2024 was established. In 2024, a total of 14 financially material topics were identified, serving as a guide for the focus areas of this report and clearly reflecting stakeholder concerns regarding each topic.



### Hongfu's material topics

#### Environmental

- ① Responding to climate change\*
- ② Environmental compliance management\*
- ③ Pollutant emissions\*
- ④ Water resources management
- ⑤ Chemical management\*
- ⑥ Energy management
- ⑦ Waste treatment and disposal
- ⑧ Circular economy
- ⑨ Biodiversity

#### Social

- ⑩ Occupational health and safety\*
- ⑪ Employee training and development\*
- ⑫ Employee rights and benefits\*
- ⑬ R&D and innovation management\*
- ⑭ Product quality assurance\*
- ⑮ Customer privacy protection\*
- ⑯ Responsible marketing
- ⑰ Supply chain management\*
- ⑱ Social contribution

#### Governance

- ⑲ Compliance management\*
- ⑳ Risk management
- ㉑ Business ethics and anti-corruption\*
- ㉒ Information security management\*

Note: Topics marked with "\*" have been identified as financially material topics.

# 01 ▶

## Corporate Governance

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SDGs addressed in this chapter



# Board (Corporate) Governance

The Company strictly complies with relevant laws and regulations such as the *Company Law of the People's Republic of China*, the *Rules on Shareholders' General Meetings of Listed Companies*, the *Governance Standards for Listed Companies*, and the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange*. Based on these, we have formulated the *Articles of Association* and other internal control systems, improved our internal corporate governance framework, enhanced internal management systems, and standardized corporate conduct.

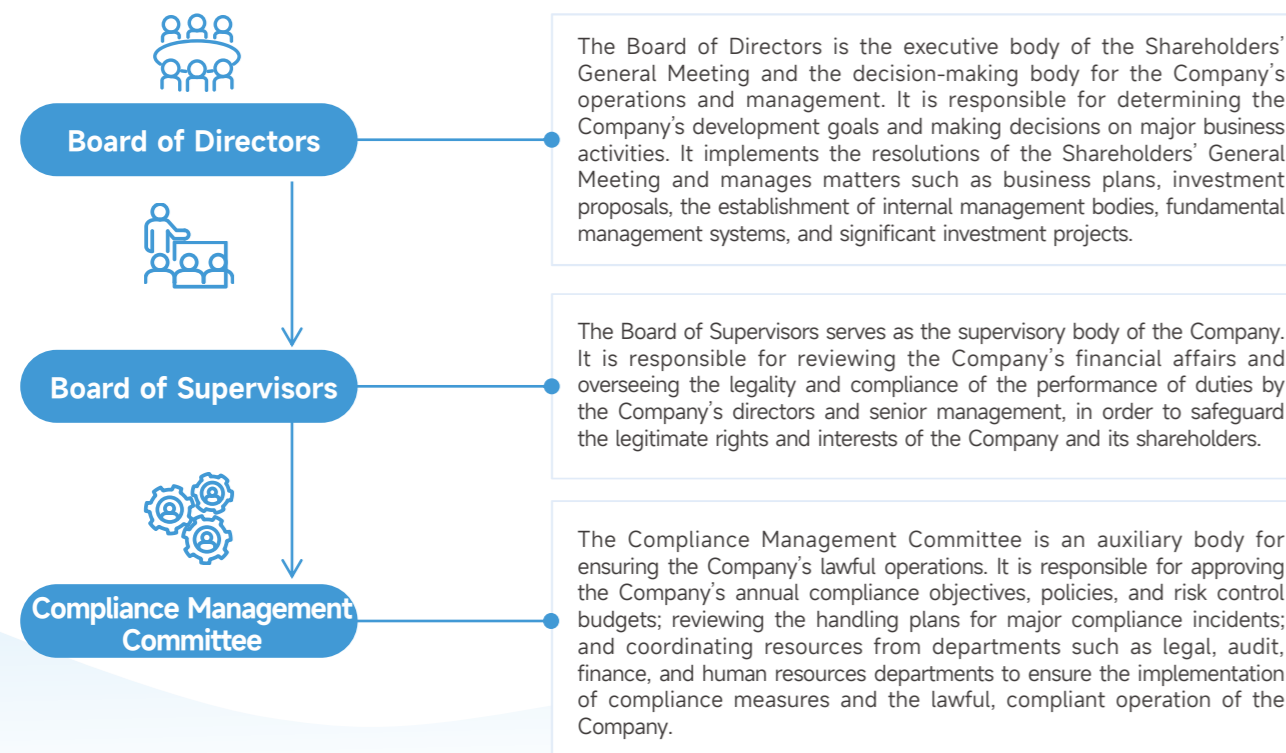
The Company clearly defines the responsibilities and authorities related to decision-making, execution, and supervision. We have established a corporate governance structure composed of shareholders, the Board of Directors, the Board of Supervisors, and various functional departments. Each governance body performs its duties with high efficiency, coordination, and checks and balances. Relevant rules of procedure and work management systems have been developed to ensure standardized operations and improve the corporate governance framework.

## Key Performance

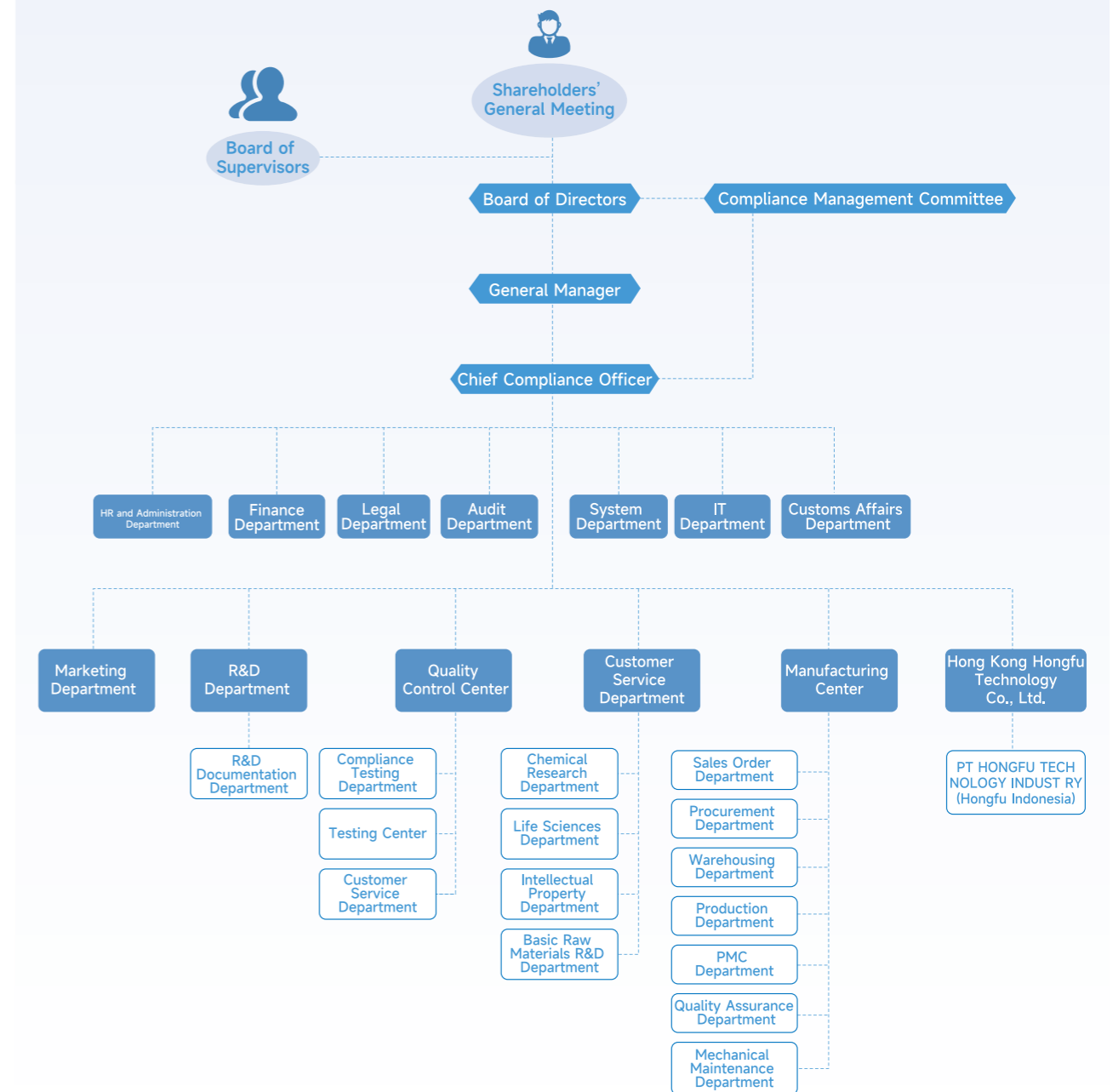
During the reporting period, the Company convened **2** shareholders' general meetings and **1** board meeting. As the ESG decision-making body, the Board of Directors approved a total of **8** sustainability-related topics in the year.



## Governance Structure



## Organizational structure of Dongguan Hongfu Biotechnology Co., Ltd.



## Board Diversity

The Company's Board of Directors has a complete institutional setup and a reasonable scale and structure. The Board consists of three members, all of whom are non-independent directors. The Company emphasizes diversity and professional operation within the Board. The Board members possess extensive experience in fulfilling their duties and are generally in the age range of 30 to 40. Their diverse cultural backgrounds and professional knowledge complement one another, which helps maximize the Board's expertise and strengths and improves the efficiency and quality of major decision-making.

# Compliance Management and Business Ethics

In the context of globalization and increasingly stringent regulations, compliance management and business ethics have become the lifeline of sustainable corporate development. Hongfu has always regarded “anti-corruption, anti-bribery, and anti-unfair competition” (hereinafter referred to as the “Three-Anti”) as a core element of corporate governance. We build a robust foundation for compliant operations through institutional development and comprehensive awareness enhancement, ensuring stable and long-term business growth.

## Governance

The Company has established an anti-corruption and integrity supervision team led by senior management, responsible for advancing internal “Three-Anti” efforts. Department heads are responsible for supervising their team members in accordance with the Company’s compliance training plans and anti-corruption and anti-bribery procedures. Department heads bear joint liability for any misconduct occurring within their departments and must promptly report any such incidents to the supervision team.

## Strategy

Anti-corruption, anti-bribery, and anti-unfair competition are fundamental to safeguarding market fairness, maintaining societal integrity, and promoting sustainable corporate and economic development. The Company regards integrity as the top core value. Effective anti-corruption efforts are essential for ensuring legal operations, preserving market fairness, and driving sustainable development. The Company maintains a zero-tolerance policy toward corruption, fostering a healthy internal environment, ensuring rational resource allocation, and supporting continuous growth.

Identified risks related to compliance management and business ethics include opaque practices in procurement and bidding processes, abuse of power for personal gain, soliciting or accepting bribes, leaking trade secrets, undermining fair market competition, and damaging the Company’s reputation.

## Risk Management

### Signing of Anti-Corruption Agreements

The Company requires personnel in high-risk positions, such as those in the Finance Department and Procurement Department, to sign the *Anti-Bribery Compliance Pledge*, clearly stating and pledging to uphold integrity in their professional conduct. In 2024, the signing rate reached 100%. At the same time, contracts signed with suppliers and service providers engaged in business with the Company explicitly stipulate the rejection of solicitation, bribery, and any other improper commercial conduct. These contracts also include provisions for punitive measures in the event of corrupt or bribery-related incidents, thereby strictly preventing such occurrences.

### Anti-Corruption and Compliance Training

To deeply embed anti-corruption awareness and comprehensively enhance employees’ integrity and self-discipline, the Company periodically organizes anti-corruption training sessions. During the reporting period, the Company conducted anti-corruption and criminal law compliance training attended by 32 members of the management team. Post-training assessments were conducted through written tests to ensure training effectiveness. Additionally, the Company organized compliance mobilization meetings and compliance training focusing on the e-cigarette industry, primarily covering global new tobacco regulatory trends, directions, and characteristics. These sessions attracted over 600 participants and effectively communicated compliance developments within the industry while reinforcing anti-corruption principles. This provided employees with clear guidance on appropriate conduct.



▲ Compliance mobilization meeting and anti-corruption training

## Establishment of Internal Reporting Channels

The Company grants all employees the authority to supervise management. If any supervisor or above is found engaging in corruption or abuse of power for personal gain, employees are encouraged to report such behavior. The HR and Administration Department is authorized to handle employee complaints, verify the facts, and investigate the incidents. Employees may raise any concerns directly with this department, and depending on the severity, may request a direct meeting with the department head. To ensure fairness, if the complaint involves the Human Resources Department or senior management, the complainant may report directly to the General Manager or the Chairman to ensure the matter is properly addressed and their right to supervise is protected. The Company has established a Compliance Management Committee and set up complaint and appeal channels (email: shenji@hfflavor.com) and a reporting hotline for issues such as corruption, violations of business ethics, and labor standards. Reporters may also report directly to their immediate superior or the head of the compliance department. An independent investigation team led by the compliance department investigates the reported incidents and provides feedback to the reporter within five working days. The Company enforces strict confidentiality and anti-retaliation policies to ensure the physical and mental well-being of the reporter.

## Opposition to Unfair Competition

The Company adheres to fair competition and complies with national laws and regulations, requiring employees to refrain from disparaging competitors or engaging in non-compliant behavior in business activities. If competitors are found to be engaging in unfair competition, employees must immediately report to management or the Legal Department. The Company will take legal action as necessary to defend its rights and maintain a healthy market environment. Suppliers are required to sign the Supplier Declaration, committing that any products supplied to competitors or potential competitors of Hongfu do not involve any of the Company's intellectual property or technical achievements, including but not limited to technical documents, product formulas, patents, and trademarks, and that they do not engage in business dealings with Hongfu's current or potential customers. This ensures the prevention of unfair competition. In 2024, the Company did not experience any lawsuits related to monopolistic or unfair competition practices.

### Indicator Data

Compliance training coverage rate (including business ethics and the "Three-Anti" principles)

100%

Number of confirmed corruption incidents

0 Number of incidents

Number of compliance and anti-corruption trainings

3 Number of trainings

Number of trainees in compliance training

712 Number of trainees



## Responsible Marketing

As a manufacturer of e-liquids, we always place responsible marketing at the core of our corporate strategy. We strictly comply with global market laws, regulations, and ethical standards, and are committed to building a transparent and trustworthy marketing ecosystem. In our promotional activities, we base all claims on scientifically validated data and strictly regulate the content of our advertisements. During the reporting period, no violations related to product labeling or marketing communication were reported.

### Legal Compliance as the Foundation

The Company fully adheres to domestic and international regulatory requirements for the e-cigarette industry and has established a comprehensive marketing compliance review mechanism to ensure the legality and compliance of content, channels, and formats. Additionally, we conduct chemical testing for restricted hazardous substances in our products and obtain credible and qualified third-party test reports. Testing is conducted at least once per year to ensure all raw materials comply with legal regulations and customer requirements.

### Authenticity and Transparency as the Core

All product descriptions are based on laboratory tests and clinical feedback, with no exaggerated or misleading claims. We strictly enforce full ingredient labeling standards, disclosing complete formula information in standardized format on prominent areas of the e-liquid packaging. This includes nicotine, flavorings, and other additives, all of which are based on laboratory-tested data and are factually accurate.



## Risk Management

The Company regards risk management as a critical component of corporate governance. Based on the PDCA cycle theory, we have established a full-cycle risk management mechanism encompassing risk identification, assessment, monitoring, and response. This not only ensures operational stability but also supports strategic decision-making through risk-based insights, fostering resilient growth in a complex business environment. During the reporting period, the Company experienced no major risk incidents related to finance, procurement, or production.

### Risk Identification

The Company has developed documents such as the *Risk Identification Checklist*, the *Risk and Opportunity Control Procedure*, the *Measures for Dealing with Risks and Opportunities*, the *List of Unacceptable Risks*, the *Risk and Opportunity Analysis and Evaluation Form*, the *Control Procedure on Hazard Identification and Risk Evaluation*, and the *Control Procedure on Hazardous Substance Risk Evaluation*. A risk and opportunity evaluation team was established, which identifies risk factors that may significantly impact the Company's operations through departmental interviews and other methods. These include financial, procurement, production, delivery, internal audits, system planning, and human resource management. This comprehensive approach ensures a solid foundation for stable operations.

### Risk Avoidance

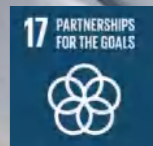
The Audit Department categorizes identified risks into process-related, management-related, and change-related types, analyzes their nature, and classifies each by its level of importance. The responsible departments for mitigation are identified, and risk avoidance recommendations are provided. After departments formulate remediation plans, cross-functional teams are formed to implement corrective measures in high-risk areas. A progress tracking mechanism is established to systematically reduce risk exposure through prioritization and long-term oversight while constructing a framework for continuous improvement.

# 02

## Product Responsibility

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SDGs addressed in this chapter



# Innovation-Driven Development

The Company regards R&D innovation as the intrinsic driving force for sustainable development. Over the long term, we have continuously strengthened our innovation capabilities by empowering product development, optimizing product quality, and exploring digital innovation technologies, thereby enhancing our core business competitiveness and increasing market share and penetration with key customers through the launch of new flavor products.

## Governance

The Company is committed to leading industry development through technological innovation, with customer needs at the core of our approach. The Academy of Sciences of Dongguan Hongfu Biotechnology Co., Ltd. (hereinafter referred to as the "Academy of Sciences"), serves as our R&D institution focusing on improving product quality and developing innovative products. Under the Academy of Sciences, the Engineering Technology Center is tasked with solving customer problems as its primary mission. It concentrates on overcoming common and critical technical challenges in the industry, promotes the research and application of new technologies, processes, products, and materials, accelerates the transformation of research achievements into productive capacity, builds an open platform for technological innovation, and facilitates technical exchange and collaboration between domestic and international enterprises, thereby enhancing the Company's competitiveness in related fields.



## Strategy

The Company adopts a joint R&D mechanism and has established collaborative technology development platforms with multiple customers from Europe, the United States, Japan, and other regions. These platforms focus on developing new products and technologies related to e-liquids, nicotine, etc. The Company maintains close ties with customers by forming dedicated teams to respond swiftly to their needs. Product development directions are defined through market research, customer feedback, and joint testing to ensure alignment with market demands.

The Engineering Technology Center employs a customized development process based on specific customer requirements concerning flavors, ingredients, and regulatory compliance. It conducts fundamental research on raw materials, formula composition, and atomizer materials. From raw material selection to formula design, the process is fully customized, and third-party authoritative reports are issued to facilitate market access and create long-term technological barriers. In response to global market preference differences, the Company has launched diverse e-liquid flavors including fruit, food, candy, and mint, with continuous iteration and upgrades to meet consumption trends in regions such as Europe, the United States, and Southeast Asia.

During the reporting period, opportunities identified in innovation-driven development included meeting market demand, enhancing staff technical capabilities, and attracting senior technical talent. Risks identified included compliance risks related to banned substances, raw material safety and health risks, formula confidentiality risks, and intellectual property infringement risks. Incidents involving intellectual property violations may lead to direct or indirect economic losses, reputational damage to the Company, and potential legal liabilities.

# Risk Management

## Compliance Control in R&D Process

To ensure compliant production and market access, the Company established a Compliance Testing Department responsible for analyzing the components and physical and chemical properties of e-liquids, flavorings, and R&D ingredients. By limiting harmful substances and adapting to dynamic regulatory changes, we safeguard consumer safety. The Compliance Testing Department utilizes gas chromatography-mass spectrometry (GC-MS) to analyze raw material composition and screens for 455 types of banned substances, preventing their entry into products. It also issues compliant MSDS (SDS) and ingredient lists for product export and TPD certification needs.

The Company has developed a global regulatory search engine for e-cigarettes that integrates multi-country regulatory frameworks tailored to industry characteristics. The Compliance Testing Department collects domestic and international laws and regulations concerning banned substances from official government and industry association websites. It performs monthly updates of regulatory information. R&D personnel can enter keywords such as country or region to accurately locate relevant laws and quickly access critical information on local sales bans, ingredient concentration limits, packaging and labeling requirements, advertising, and age restrictions. This enables efficient compliance in ingredient management and risk control through precise retrieval, rapid positioning, and dynamic monitoring.



▲ Global Regulatory Search Engine for E-Cigarettes

## Health-Oriented Product Technology R&D

The Company optimizes the composition and pH of e-liquids to reduce the release of heavy metals during storage and atomization, minimize harmful substances generated from the atomization of other ingredients, slow the degradation of core components, and extend product shelf life.

### R&D Capability Enhancement

The Company has established a deep collaboration with Shanghai Institute of Technology to conduct research on the synthesis of new flavoring substances and has built an R&D structure that integrates internal and external resources. An innovative co-creation mechanism is fostered with customers and suppliers, supporting on-site product development by stakeholders. This effectively shortens R&D cycles, enables rapid validation of product formulations and atomizer compatibility, and reduces time to market. During the reporting period, the Company collaborated with flavor suppliers to develop 105 new flavoring formulations.

To enhance overall R&D capability, the Company regularly organizes training in areas such as R&D skill improvement, software applications, and the use of R&D instruments and tools to boost efficiency. During the reporting period, the R&D Department and Compliance Testing Department jointly organized 31 R&D-related training sessions, with a total of 489 participants.



### Intellectual Property Management

The Company strictly complies with intellectual property laws and regulations, including the *Intellectual Property Law of the People's Republic of China*, *Patent Law of the People's Republic of China*, and *Trademark Law of the People's Republic of China*. We have established an Intellectual Property Management Department and formulated the *Intellectual Property Management System* to effectively protect the Company's design achievements and other intellectual property and to prevent the leakage or theft of core business secrets. In 2024, Hongfu filed 15 patent applications covering achievements in raw material synthesis processes, rapid quantification methods for toxic and hazardous substances, raw material pyrolysis analysis, high-throughput analysis methods for common e-liquid ingredients, aerosol analysis tools, and predictive tools for optimal e-liquid usage conditions.

While actively protecting its intellectual property rights, the Company also respects the intellectual property rights of others. Prior to filing any applications, we organize technical assessments to evaluate the innovation and advancement of technologies and conduct intellectual property searches to both enhance patent approval rates and mitigate infringement risks. To strengthen employee awareness of intellectual property protection, we conduct training sessions such as *Case Studies on Intellectual Property Infringement and Fundamentals of Intellectual Property*, educating employees on relevant laws and promoting adherence to the Company's intellectual property management standards. Any discovered intellectual property infringement by individuals or organizations must be promptly reported to the Intellectual Property Department or senior management. The Company encourages innovation among employees and provides rewards for successfully granted intellectual property applications. During the reporting period, RMB15,000 was issued as intellectual property-related incentives.

### Innovation Incentive Policy

To fully motivate R&D personnel and maximize the progress of new product development and technical and process improvements, the Company formulated the *Innovation Reward System of the R&D Department* in accordance with the *Law of the People's Republic of China on Scientific and Technological Progress*. Innovation R&D bonuses are awarded for new product development, technological improvements of existing products, and process optimization projects. During the reporting period, R&D engineers actively participated in developing new flavors. Sales personnel evaluated the level of innovation, aroma performance, taste profile, and consumer enjoyment of each new e-liquid flavor, based on which bonuses were awarded. In total, the Company issued RMB108,000 in innovation rewards during the reporting period.



▲ Innovation Incentive Awards

### Case A method for detecting multi-component sweeteners and its application

The Company is currently developing a method for detecting multi-component sweeteners, capable of simultaneously detecting 41 types of sweeteners. This method covers most commonly used and prohibited sweeteners in e-cigarettes. With ultra-trace level sensitivity, it significantly shortens analysis time and improves testing efficiency.

As the core result of R&D, formulations are stringently protected. The Company has established a full-process raw material coding system. Once raw materials are selected and approved, they are assigned unique codes. After a formulation is finalized, the R&D personnel assign a formula code and input it into the ERP system to prevent any leakage of formula information.

#### Indicator Data

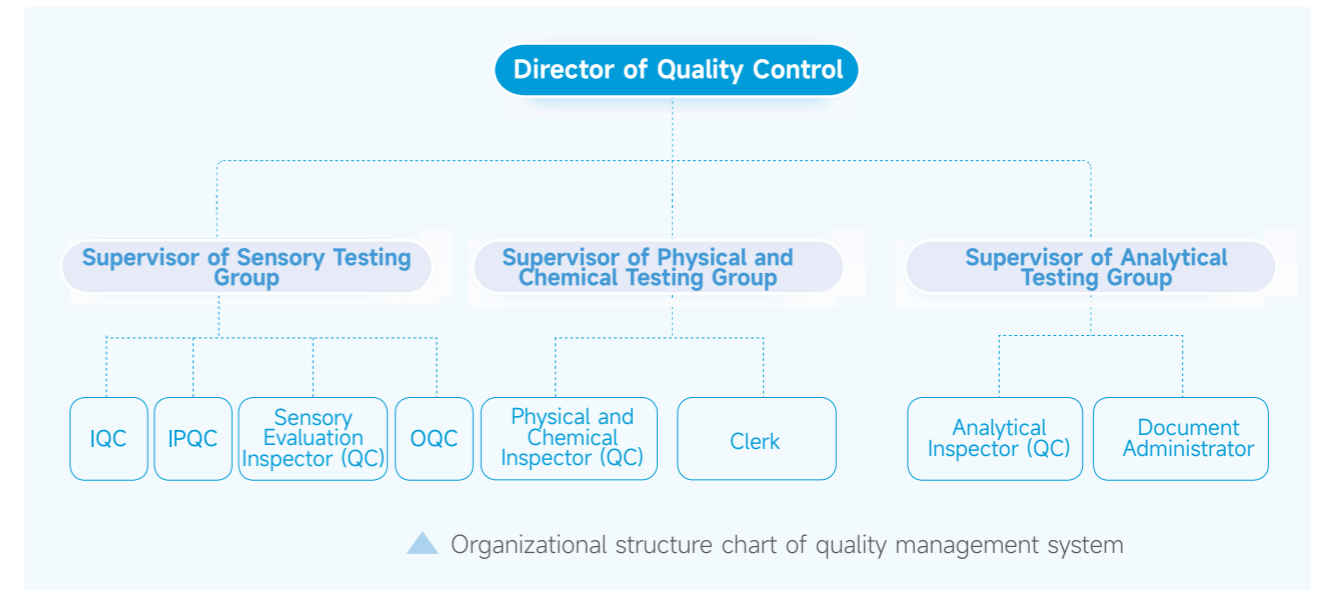
Annual R&D investment <b>7,605.45</b> 10,000 RMB	Proportion of annual R&D investment in operating income <b>3.5%</b>	Total number of R&D personnel <b>159</b> Number of employees	Proportion of R&D personnel <b>19%</b>
Amount of innovation incentives awarded <b>12.3</b> 10,000 RMB	Cumulative number of granted invention patents <b>9</b> Number of patents	Cumulative number of granted utility model patents <b>26</b> Number of patents	Cumulative number of standards whose formulation involves the Company's participation <b>1</b> Number of standards

# Product and Service Safety and Quality

The Company strictly complies with laws and regulations such as the *Product Quality Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, as well as relevant standards. We adhere to national and international standards including the Electronic Cigarette (GB 41700-2022), the *Technical Specification for Safety of E-Liquid* (T/CECC 002-2021), the EU Tobacco Products Directive (2014/40/EU), the XP D90-300-2-2021: Requirements and Test Methods for E-Liquids, and the Premarket Tobacco Product Applications for Electronic Nicotine Delivery Systems (Guidance for Industry) (FDA-2015-D-2496) to strictly control product quality and the management of hazardous substances, thereby ensuring the safety and health of product materials.

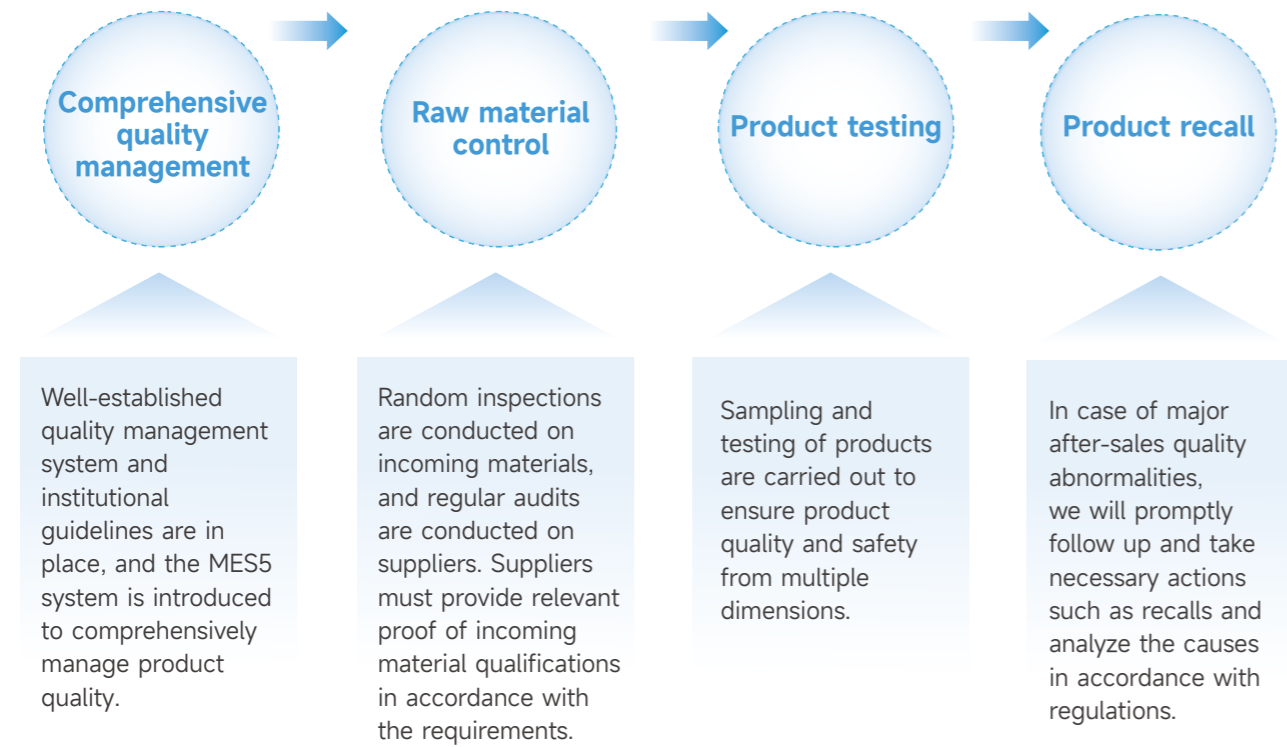
## Governance

The Company has established a product quality management structure led by the Director of Quality Control, overseeing safety and quality control throughout the product lifecycle. Responsibilities for quality are clearly defined across departments, positions, and employee levels to ensure the effective implementation and continuous improvement of quality management. In accordance with the *Regulations on the Management of Electronic Cigarettes* and the *Law of the People's Republic of China on the Protection of Minors*, the Company has formulated system documents such as the *Integrated Management Manual*, the *Production Process Control Procedure*, the *Customer Satisfaction Control Procedure*, and the *Product Recall Control Procedure*, which define responsibilities across raw material control, manufacturing, quality assurance, sales services, and after-sales support. Furthermore, the Company ensures that its quality management system aligns dynamically with national standards and industry regulatory requirements through regular internal audits and third-party certifications. As of the end of the reporting period, the Company had obtained various national and international quality certifications, including the ISO 9001 Quality Management System, the IECQ QC 080000 Hazardous Substance Process Management System, the Recommended International Code of Practice General Principles of Food Hygiene CAC/RCP 1-1969, and the *Current Good Manufacturing Practice-21 CFR (Food and Drug) Part 110* (2020) published by the U.S. Food and Drug Administration (FDA), establishing a comprehensive quality assurance system.



## Strategy

The Company always adheres to the core values of “focus, integrity, quality, innovation, and win-win cooperation”. Through full lifecycle quality management and end-to-end organizational planning, we strictly control product quality and provide customers with high-quality, safe, and responsible products and services, thereby laying a solid foundation for the Company’s high-quality development.



▲ Comprehensive lifecycle quality assurance in Hongfu

The Company continuously communicates with stakeholders based on product quality standards and requirements proposed by customers, as well as legal and regulatory requirements in product sales regions. Identified quality and service risks include product compliance risk, risk of hazardous substance contamination, and chemical over-limit risk. Quality risk incidents can result in multiple impacts, primarily including legal liabilities, financial losses, reputational damage, and diminished market competitiveness.



## Risk and Opportunity Management

### Raw Material Quality Control

The Company has formulated the Incoming Material Inspection Control Procedure, requiring suppliers to provide batch-specific factory inspection reports with each shipment and at least one third-party testing report annually. The Quality Control Department conducts sampling inspections of incoming materials, assessing both sensory and physical and chemical indicators. For new materials, the Compliance Testing Department conducts banned substance testing based on supplier submissions. Only qualified materials are added to the raw material storage for procurement and use. The Company enforces strict quality control on incoming materials from suppliers to ensure suitability for production and to prevent substandard materials from entering the process, thereby improving handling and delivery efficiency.

### Production Process Management

The Company strictly implements the 6S on-site management principles during production. It has developed management documents such as the *Production Process Control Procedure and Production Process Work Instructions*, and also provides equipment-specific work instructions. Production personnel must complete training before taking up their roles. The Company has introduced the MES system to track and record the production process in real time, monitor and collect production data, analyze and dynamically coordinate the production process, and achieve full-process traceability management.

### Case Production efficiency enhancement

To address growing production demands during a high-growth phase, the Production Department adopted a lean labor improvement proposal for the production line. The concerned business division restructured workflows, broke down actions to each CT, and allocated staff during scheduled downtime while fine-tuning improvements for UPH. As a result, the required manpower for a specific 6W production schedule was reduced from 63 to 58 people. This not only maintained normal output levels but also allowed reallocation of labor to other teams, boosting overall efficiency. The cost savings from this initiative are projected at RMB360,000 annually.

### Case collision scrap reduction in the automatic small box packaging machine for oil bottles

To address the scrap of oil bottles due to collisions during automatic small box packaging—caused by coordination problems between personnel and equipment—the Company upgraded the machines with object detection sensors and IO signals to enhance error-proofing. These upgrades enabled automatic stop and alarm functions upon detection of abnormal incoming materials. If an issue is detected before pushing into small boxes, the machine halts and triggers an alert, preventing collisions and subsequent scrap. After 1,000 consecutive validation tests, a 100% accuracy rate was achieved, and one week of continuous production yielded zero false alarm. Upon improvement, the rate of scrap due to collisions dropped to 0%. This project was awarded the “Special Quality Improvement Award” by the concerned customer.



▲ Certificate of Honor for the “Special Quality Improvement Award”

## Product Quality Control

The Company has established a dedicated quality control department responsible for the testing and analysis of finished products and raw materials. For finished products, the department conducts full-batch inspections that cover sensory indicators, flavor, aroma, physical and chemical indicators, and nicotine content. Upon customer request, testing may also include harmful substances such as heavy metals, formaldehyde, and acetaldehyde, ensuring that product components meet legal and regulatory requirements in relevant regions. For sensory indicators such as product flavor, mouthfeel, and aroma, the Company strictly implements a sensory evaluation process. Inspectors with keen sensory identification ability are employed, and all evaluations are conducted by two-person teams to ensure objective and reliable results.

The Testing Center is primarily responsible for testing during product development and prior to the introduction of new raw materials. It has the capacity for 103 testing items, among which the representative testing items include nicotine, glycerol, propylene glycol, tobacco alkaloids, ethanol, formaldehyde, acetaldehyde, acrolein, crotonaldehyde, refractive index, relative density, viscosity, pH value, acid value, etc. The Testing Center received CNAS accreditation on March 18, 2025.

The Company's Quality Control Department (Analytical Testing Center) has appointed experienced personnel as Technical Director, Quality Director, and Quality Supervisor to oversee testing procedures. They are responsible for raw material inspection upon arrival, in-process inspections during production, and final product inspections (covering sensory indicators, flavor, aroma, physical and chemical indicators, and nicotine content). Quality control personnel may only be assigned to roles after completing professional training and passing skill assessments. The Company performs routine maintenance and calibration of testing equipment to ensure accuracy. Upon passing final inspections, the Analytical Testing Center will issue a Quality Inspection Report, and may also provide RoHS Test Reports in compliance with ROHS 2011/65/EU and Annex II of Directive (EU) 2015/863 upon customer request. The Analytical Testing Center received CNAS international accreditation on April 10, 2024.

The Company also invites third-party organizations to conduct testing at various stages and engages in discussions regarding additive testing experience to seek professional insights from multiple perspectives. During the reporting period, the Company conducted third-party comparative testing on samples such as flavorings and baijiu (Chinese distilled liquor). These comparisons were used to assess the accuracy of internal testing results and to continuously monitor the technical stability and reliability of the laboratory. All comparative testing results met the corresponding consensus value requirements.



▲ CNAS International Accreditation Certificate



## Customer Service Response

Adhering to the principle of "Quality First", the Company incorporates customer satisfaction into its quality objectives. Regular satisfaction surveys are conducted to evaluate product quality, delivery time, pricing, service attitude, customer complaints, and response timeliness. Feedback is systematically analyzed, and targeted improvements are implemented based on identified shortcomings. During the reporting period, the Company conducted two customer satisfaction surveys via questionnaires, achieving a satisfaction rate of 96.75%.

The Company has formulated the Customer Complaint Management Measures. Under this system, the Sales Department communicates with customers, while the Quality Control Department investigates and analyzes quality anomalies. Other departments are responsible for developing improvement actions. For severe complaints, a response must be provided within four hours, and a resolution or 8D report must be submitted within 48 hours. Departments implement corrective actions based on the 8D report to ensure similar issues are minimized or eliminated in the future. During the reporting period, no customer complaints were recorded due to product quality issues.

## Product Recall Mechanism

To prevent the circulation of substandard products in the market and to mitigate or avoid harm, the Company has established a Product Recall Control Procedure, with a structured recall mechanism strictly enforced. Recalls are categorized into three levels based on the severity and urgency of product safety risks. Confirmed non-compliant products are recalled in accordance with regulations and are subjected to disposal, destruction, or reprocessing by the production and quality control departments. The Company strictly monitors, analyzes, and traces HSF non-compliant products, ensuring that all related materials are neither reused nor delivered to customers before the root cause is fully identified. An annual simulation of HSF product recall is conducted by relevant departments according to the *Drill Plan for Simulated Recall*.



### Level 1 Recall

The product is very likely to cause or has already caused significant quality hazards or serious health risks.

### Level 2 Recall

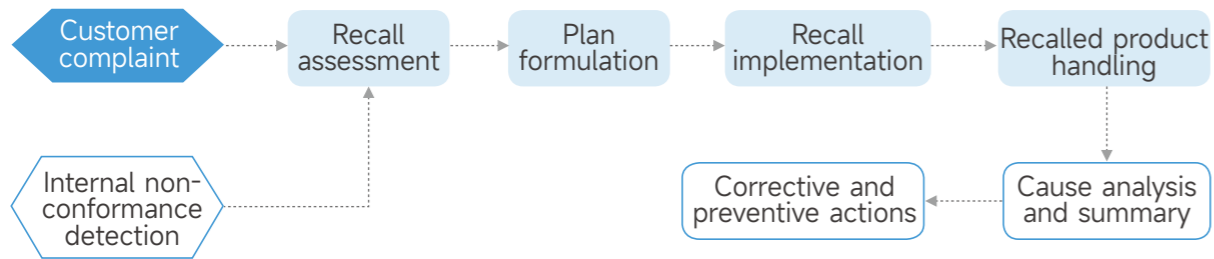
The product may cause significant quality hazards or potential short-term health risks.

### Level 3 Recall

The product is unlikely to cause significant quality hazards or health risks, but recall is necessary due to other reasons.

### Indicator Data

Product qualification rate <b>99.98%</b>	Number of product recall incidents <b>0</b> Number of incidents	Pass rate of audits for quality management system <b>100%</b>
Customer satisfaction rate <b>96.75%</b>	Customer complaint handling rate <b>100%</b>	
Number of quality and safety incidents <b>0</b> Number of incidents	Number of quality capability enhancement trainings <b>4</b> Number of trainings	



▲ Recall control procedure



# Data Security and Customer Privacy Protection

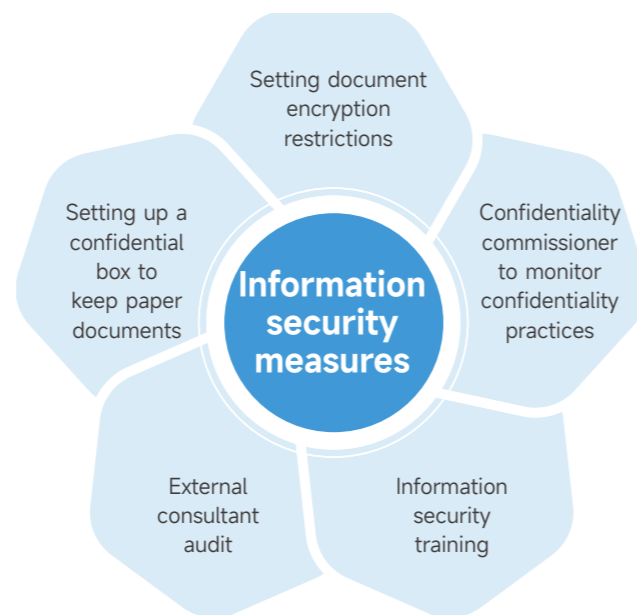
The Company strictly complies with data protection and information security laws and regulations of the countries and regions where it operates, including the *Data Security Law of the People's Republic of China*, the *Cybersecurity Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*. We continuously improve and optimize our management of information security and privacy protection to reduce risks related to the protection of customer and user privacy.

## Governance

The Legal Department and Information Management Department are responsible for the overall planning of the Company's information system development. They formulate and strictly enforce information management systems and standards such as the *External Information Disclosure and Confidentiality System*, and the *Document and Data Control Procedure*. The Company has established a data security accountability mechanism, assigning department heads responsibility for the data under their supervision. This ensures the confidentiality, integrity, and security of corporate secrets, customer privacy, and data throughout the entire lifecycle—including collection, storage, use, processing, transmission, provision, disclosure, and destruction—keeping data security and customer privacy protection at the core.

## Strategy

The Company has established an information management system to support business operations through digital and data-driven services. At the same time, we continuously enhance our network and information security systems. This is achieved by formulating information security systems, defining confidentiality levels, participating in emergency response plans for cybersecurity incidents, and conducting employee training on information security. Employee behavior is strictly regulated in areas such as workplace security, account usage, information equipment usage, software use, internet usage, email usage, document transfer and disclosure, and antivirus requirements. In cases where information leaks occur and result in serious consequences, disciplinary action is taken, and responsibilities are pursued. During the reporting period, the Company identified data security and customer privacy protection risks including the risk of customer information leakage, core technology leakage, and product formula leakage.



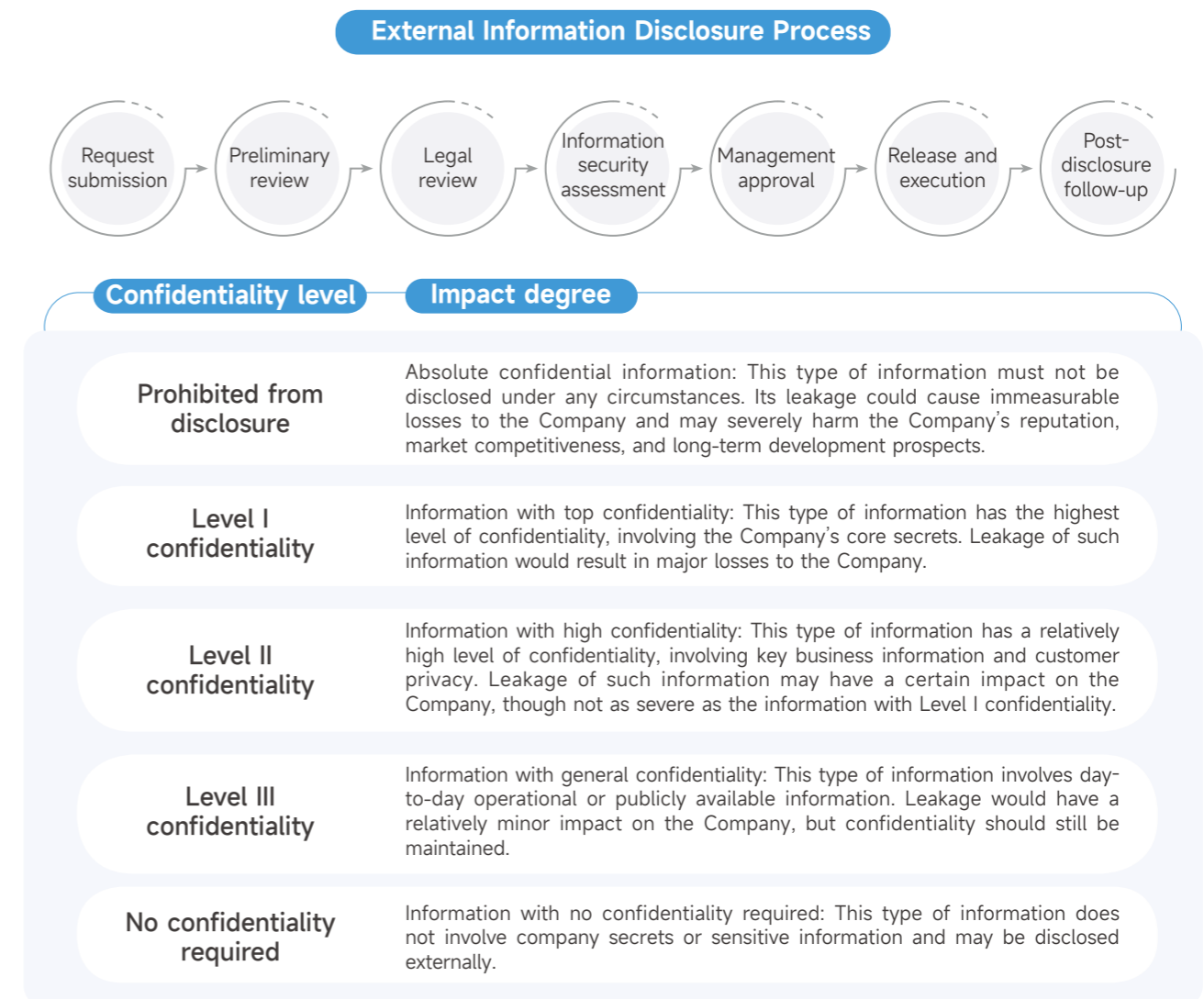
▲ Hongfu Information Security Measures

## Risk and Opportunity Management

### Confidential Information Management

In December 2024, the Company formulated the *External Information Disclosure and Confidentiality System*, which classifies confidential information into levels, clarifies the confidentiality responsibilities of each department, and standardizes the external information disclosure process. This ensures the accuracy, completeness, and compliance of information disclosed externally, effectively protecting the Company's trade secrets and sensitive information, and preventing adverse impacts caused by information leakage. In the event of unauthorized disclosure without approval or resulting in a data breach, the responsible party will be held legally accountable.

The Company classifies confidential information into five levels and periodically organizes comprehensive evaluations of the information management system and classification framework. During the reporting period, twenty items of confidential information were classified by level, and their associated leakage risks were assessed. No customer privacy breaches or major information security incidents occurred during the reporting period.



## Network Security Management

To ensure the secure and stable operation of its systems, the Company deploys reliable antivirus software for real-time detection of malicious programs and viruses and enables firewalls to block unauthorized network connections. System updates and maintenance are conducted regularly, and firewalls and security patches are enforced. To proactively identify security risks and resolve vulnerabilities in a timely manner, the Company performs monthly vulnerability scans on key assets such as servers and websites, promptly following up on patching efforts to effectively mitigate potential network security threats. In 2023, the Company participated in a network security defense drill organized by the local government, conducting simulated attacks on its network architecture to enhance its response capabilities to network threats.



## Data and Privacy Protection

Based on operational requirements, the Company implements differentiated system access permissions, prohibiting cross-departmental or hierarchical access to core data. Physical isolation measures are strictly enforced for confidential data, and sensitive information is prohibited from being processed on internet-connected devices. All external business communications (including supplier coordination and customer service) must be conducted via the enterprise WeChat platform, which features audit functionality to trace activity records. Internal document transmission and external business correspondence must be handled exclusively through the Company's email system; use of personal email accounts for work-related documents is strictly prohibited.

The IT Department must follow protocols for the deployment of hardware and software across all departments and is prohibited from installing unauthorized software, running non-work-related programs, or downloading irrelevant documents. All external storage media (e.g., USB drives, CDs) are subject to a "scan-before-use" policy, requiring virus checks before being connected to the Company's network. Additionally, the IT Department manages superuser permissions for servers through encryption, and departments may set access passwords for important documents, which are not to be bypassed without authorization to ensure data security.

All confidential and privacy-sensitive documents are categorized and encrypted based on their level of confidentiality. Access is granted strictly on a need-to-know basis. A data management officer is assigned to manage confidential information at different levels. Confidentiality agreements are signed with customers as required when entering into contracts.

### Indicator Data

Number of data security breach incidents

0 Number of incidents

Encryption coverage rate of sensitive data

100%

Number of customer privacy breach incidents

0 Number of incidents

Employee confidentiality agreement signing rate

100%

Number of data security/customer privacy protection training

0 Number of trainings

# Sustainable Supply Chain

The Company upholds the value of "Integrity and Win-Win Cooperation", establishing long-term, stable, and resource-sharing partnerships with numerous suppliers. We work hand in hand with suppliers, distributors, and other supply chain partners to pursue mutual long-term development.

## Governance

The Company has established a responsible supply chain management system. The Procurement Department is responsible for building and maintaining procurement-related systems, and has formulated internal control procedures such as the *Procurement Control Procedure* and the *Supplier Management Control Procedure*, covering the full process of supplier development, evaluation, assessment, and elimination. The Procurement Department leads supplier development and organizes supplier assessments and selection. The Quality Control Department and R&D Department are responsible for evaluating the quality of purchased materials and participate in on-site supplier evaluations.

## Strategy

To ensure supply chain security, reliability, and compliance, the Company evaluates suppliers based on their qualifications, scale, production capacity, delivery timelines, pricing, after-sales service, cooperation, and compliance with the EU RoHS Directive on environmental protection. During the cooperation period, monthly and annual assessments are conducted to ensure suppliers meet the Company's requirements. During the reporting period, identified supply chain risks included raw material quality risk, delivery cycle risk, and climate change risk. Occurrence of such risks may increase operating costs. Production interruptions, delivery delays, and inventory shortages could reduce operational efficiency and market competitiveness, lower customer satisfaction, and potentially lead to contractual breaches, creating legal and financial risks.



## Risk and Opportunity Management

### Supplier Admission

In the initial evaluation, suppliers are required to truthfully complete the *Supplier Evaluation Form*, which covers basic information, manufacturing capabilities, customer base, quality control, R&D capabilities, delivery capacity, restricted substances, etc. On-site assessments are conducted based on the *evaluation form* by a team composed of personnel from the procurement, system, quality control, and R&D departments. Only suppliers who pass the evaluation and obtain approval may be added to the *List of Qualified Suppliers*. During the reporting period, the Company had no overdue payments to SME suppliers.

Suppliers must acknowledge the *List of 450 Prohibited Substances* set by the Company and strictly comply with all applicable laws and regulations related to safety, reliability, hazardous substance restrictions, environmental protection, energy efficiency, and social responsibility. They are also required to sign the *Environmental Assurance Declaration* with the Company.

### Supplier Assessment

To ensure the quality of products and services supplied, the Company conducts regular evaluations. These include:

#### Monthly assessments

Focus on quality, delivery, and service for raw and auxiliary material suppliers.

#### Annual assessments

The Procurement Department formulates an annual on-site audit plan based on the previous year's procurement volume and supplier rating. For issues identified during the audit, 100% of findings are documented in a non-conformance report, followed by technical discussions. Suppliers must respond within seven days and complete corrective actions within one month. In 2024, the Company conducted on-site assessments for a total of 25 suppliers.



▲ Photo of On-Site Supplier Assessment

The Company classifies suppliers into different levels based on assessment results.

Level I suppliers may maintain or increase procurement volume as a form of encouragement

Level II suppliers are required to actively cooperate in making improvements

Level III suppliers may be subject to procurement suspension depending on specific circumstances.

During the reporting period, cooperation was discontinued with a total of 21 suppliers due to issues related to cost, quality, or service.

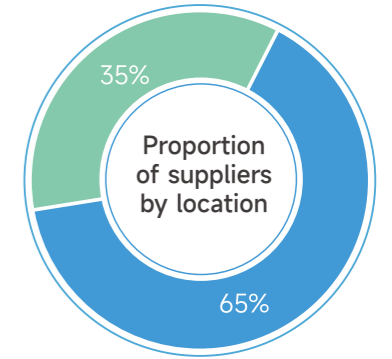


■ Level I ■ Level II ■ Level III

### Supply Chain Stability

The Company promotes local cooperation to support the development of regional industrial clusters. Core raw materials and packaging materials are mainly sourced from suppliers located in the Pearl River Delta, Zhejiang, and surrounding areas, leveraging geographic proximity for rapid response and cost optimization. For key raw materials, the Company implements a multi-source supply assurance strategy. For example, glycerol, propylene glycol, and nicotine are each supported by at least three qualified suppliers, and raw material inventory is dynamically maintained at one-third of the monthly usage. This effectively mitigates supply disruption risks and strengthens supply chain resilience management.

In the supply chain risk management for lemon oil flavoring, the Company addresses potential risks such as pest outbreaks and extreme weather in the raw material origin of Italy by dynamically adjusting its procurement strategy. The Company proactively stocks risk-related raw materials and maintains continuous communication with raw material distributors. In case of emergencies, a mutual loan and transfer mechanism can be employed to ensure timely raw material supply.



■ Local suppliers  
■ External suppliers

#### Indicator Data

Number of qualified suppliers

**119** Number of suppliers

Number of local suppliers

**77** Piece(s)

Local supplier procurement rate

**58.07%**

Number of suppliers with terminated cooperation

**21** Number of suppliers

Proportion of suppliers with terminated cooperation

**15.00%**

Number of suppliers certified with ISO 14001 by the end of the reporting year

**34** Number of suppliers

Number of suppliers certified with OHSAS 18001/ISO 45001 by the End of the reporting year

**24** Number of suppliers

Number of suppliers certified with ISO 9001 by the end of the reporting year

**67** Number of suppliers

Number of suppliers certified with ISO 22000/HACCP by the end of the reporting year

**27** Number of suppliers

Amount of overdue payments to SME suppliers

**0** 10,000 RMB

Note: Local suppliers refer to those suppliers providing products or services within Guangdong Province.

# 03



## Environmental Management

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# Responding to Climate Change

Amid the intensifying global climate change, the Company fully recognizes the serious impact that climate change may have on its operations and business activities. The Company proactively identifies and analyzes the potential impacts of climate risks and opportunities on its business, addressing these from four perspectives: Governance, strategy, risk management, and metrics and goals. Based on these findings, the Company takes responsive measures to manage the impact of climate change on its operations.

## Governance

The Company integrates climate change management into its ESG governance and considers climate change as a key factor in its strategic planning. The General Manager is responsible for advancing and reviewing the progress of climate change initiatives. The HR and Administration Department coordinates the planning, implementation, and advancement of climate change-related activities and reports progress to the General Manager on a regular basis. Various departments and subsidiaries work collaboratively, incorporating climate change risk management into their daily activities to drive progress.

## Strategy

The Company continuously enhances its ability to identify and manage climate change-related risks, classifying these risks into two main categories: Physical risks related to climate change, and transition risks associated with climate change and the low-carbon economy. The Company has identified two physical risks, three transition risks, and two opportunities.

Risk or opportunity type		Risk description	Risk impact duration	Measures	
Physical risk	Acute physical risk	<ul style="list-style-type: none"> <li>Extreme weather events such as heavy rain, typhoon, and lightning</li> <li>Natural disasters such as floods and earthquakes</li> </ul>	<ul style="list-style-type: none"> <li>Risks of damage to the Company's infrastructure and production equipment, transportation disruptions, supply chain interruptions, and employee safety concerns, all leading to increased operational costs.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term</li> </ul>	<ul style="list-style-type: none"> <li>We conduct monthly inspections of fire equipment and organize monthly safety inspections; we conduct a fire drill once a year; we post emergency escape route maps in various places; we strictly prohibit bringing kindling into the workshop and require smoking in designated areas.</li> <li>We have developed an emergency response plan for the advent of typhoons; we strengthen safety inspections throughout the entire plant during typhoon season; we regularly conduct typhoon emergency drills.</li> <li>During the disaster-prone period, we pay attention to relevant department announcements in a timely manner, make good scheduling arrangements, comply with relevant regulations on suspending work and production, and ensure the safety of personnel and equipment.</li> <li>We identify potential asset damage and purchase necessary insurance to reduce losses associated with acute weather events.</li> </ul>
	Chronic physical risk	<ul style="list-style-type: none"> <li>Continuous high temperatures, droughts, rising sea levels, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for refrigeration equipment and higher energy costs, such as electricity.</li> <li>Employee heatstroke, poor work conditions, reduced operational efficiency, and higher employee health maintenance costs.</li> <li>For plant-derived raw materials, high temperatures may cause a reduction in crop yields at the planting sites, leading to raw material shortages.</li> <li>For temperature-sensitive chemicals, the risk of explosions, fires, and other safety hazards may increase during storage and transportation.</li> </ul>	<ul style="list-style-type: none"> <li>Short-term</li> </ul>	<ul style="list-style-type: none"> <li>We strengthen energy management and explore and promote the use of renewable energy.</li> <li>We implement effective heatstroke prevention measures and strengthen labor protection during high-temperature operations.</li> <li>We establish a flexible supply chain system to ensure the stable supply of raw materials.</li> </ul>
Transition risk	Policy and legal risk	<ul style="list-style-type: none"> <li>Domestic and international laws and regulations enacted to address climate change, which may impact business models</li> </ul>	<ul style="list-style-type: none"> <li>Strict limits and emission quotas on greenhouse gas emissions may affect product design and technology choices, increasing operational costs.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term</li> </ul>	<ul style="list-style-type: none"> <li>We closely monitor changes in domestic and international regulations and policies, and implement corresponding measures in a timely manner.</li> </ul>
	Product and technical risk	<ul style="list-style-type: none"> <li>Increasing customer demand for low-carbon emission technologies in products and services</li> </ul>	<ul style="list-style-type: none"> <li>The new technological demands arising from climate change and the limitations of existing technologies.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term</li> </ul>	<ul style="list-style-type: none"> <li>We conduct energy-saving and carbon-reducing technological modifications based on current technical capabilities, and perform regular maintenance on equipment.</li> </ul>
	Market risk	<ul style="list-style-type: none"> <li>The impact of climate change on market demand and supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Increased procurement costs for low-carbon raw materials and renewable energy.</li> <li>The market's tendency to prefer low-carbon products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term</li> </ul>	<ul style="list-style-type: none"> <li>We implement green procurement practices, preferring products with lower carbon footprints for raw material procurement and low-energy-consuming, high-efficiency equipment for equipment procurement.</li> <li>We closely monitor market trends and adjust production and marketing strategies flexibly.</li> </ul>
Opportunity	Policy and legal opportunity	<ul style="list-style-type: none"> <li>Increased government support for new energy policies.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term</li> </ul>	<ul style="list-style-type: none"> <li>We actively respond to policies and reduce product carbon emissions. We develop clean energy projects and measures for purchasing green power.</li> </ul>	
	Market opportunity	<ul style="list-style-type: none"> <li>Increased demand for low-carbon emission products.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term</li> </ul>	<ul style="list-style-type: none"> <li>We actively develop low-carbon products and services.</li> </ul>	

## Risk and Opportunity Management

### Carbon reduction measures in production

- The Company has established a product flavor coding system to intelligently classify orders, consolidating production demands for the same flavor into a single batch. This reduces the frequency of equipment startups at the source of production, allowing a single production run to meet multiple customer orders, thus improving the energy efficiency of production lines. Additionally, the frequency of equipment cleaning is reduced, resulting in lower consumption of organic solvents and cleaning water.



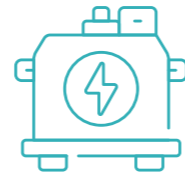
### Carbon reduction measures in office operations

- The Company builds low-carbon work environments through refined office energy management practices, promoting energy-saving office measures such as "turning off lights when not in use", "double-sided printing", and "smart sleep mode". It also encourages the use of toner cartridges that can be refilled multiple times, increasing the recycling frequency of toner cartridges.



### Carbon reduction measures in management

- The Company organizes relevant personnel to participate in specialized training on low-carbon and environmental protection topics, continuously improving climate-related knowledge and skills. The Company invites industry experts and professional organizations to provide guidance on the greenhouse gas quantification process, conducting a comprehensive inventory of the Company's greenhouse gas emissions within scopes 1, 2, and 3 for 2024. The Company actively responds to climate change requests from customers, providing consultancy support for decision-making related to climate issues.



### Indicator Data

Total greenhouse gas emissions

**30,927.25** tCO<sub>2</sub>e

Scope 1 greenhouse gas emissions

**93.55** tCO<sub>2</sub>e

Scope 2 greenhouse gas emissions

**1,767.68** tCO<sub>2</sub>e

Scope 3 greenhouse gas emissions

**29,066.01** tCO<sub>2</sub>e

Greenhouse gas emission intensity per unit of output value

**0.14** tCO<sub>2</sub>e/10,000 RMB

## Environmental Compliance Management

The Company is guided by the ecological civilization ideology of Xi Jinping, and conscientiously implements the major environmental protection decisions and deployments of the CPC Central Committee and the State Council. We consistently adhere to the principle of not sacrificing the environment for development, and strictly comply with relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Environmental Impact Assessment Law of the People's Republic of China*, and the *Environmental Protection Regulations of Guangdong Province*.

### Governance

The Company has established an environmental management system in strict accordance with ISO 14001 requirements. Potential sources of environmental pollution during the Company's production operations, product manufacturing, and service provision activities have been identified. Relevant systems have been developed and improved, including the *Management Procedure for Identification and Evaluation of Environmental Factors*, the *Management Procedure for Organizational Environment and Related Party Requirements*, and the *List of Environmental Laws and Regulations*.

The Company has set up a three-tier governance system: Top Management → Management → Execution. This ensures that environmental compliance management is integrated into the Company's strategy and daily operations. The Top Management is responsible for approving the environmental compliance strategy and annual objectives, incorporating ESG performance into executive assessments. Led by the System Department, all departments are fully responsible for environmental safety and the communication and management of internal and external information, with regular reports on compliance risks and improvement measures. Each production site is equipped with a dedicated EHS (Environment, Health, and Safety) commissioner who implements a "one-vote veto system" for any environmental compliance risks. In daily operations, front-line departments enhance monitoring and maintenance of production equipment according to the *Equipment Control Procedure*, reducing the environmental impact of production and preventing pollution.



▲ Environmental Management System Certificate

### Key Performance

In 2024, the Company invested a total of RMB **1,212,500** in environmental protection and conducted **4** environmental compliance trainings, achieving a **100%** coverage rate for environmental training.



## Strategy

The Company views environmental compliance as a core pillar of sustainable development. We not only meet the requirements of laws and regulations but also proactively benchmark against international best practices (such as ISO 14001). Through compliance innovation, we aim to reduce operational costs (for example, through the recycling of pallets and cardboard). The production of e-liquids has dual characteristics of “high regulatory sensitivity” and “high environmental risk”.

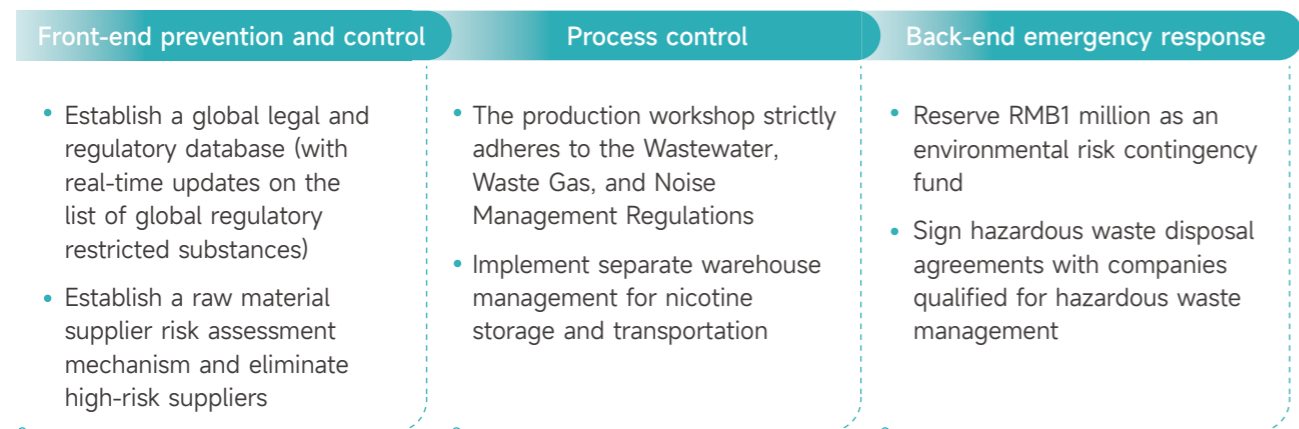
### Environmental compliance impact analysis

Risk dimensions	Specific manifestations	Urgency	Financial impact
Formula compliance risk	The new national standard restricts the use of flavoring agents (effective from 2023)	Immediate	Impairment of the inventory of old formula
VOCs emission penalty	The <i>Standard for Fugitive Emission of Volatile Organic Compounds</i> issued by the Ministry of Ecology and Environment	Within one year	Investment in the upgrade of environmental protection equipment
Lack of raw material traceability	The European Union requires the provision of a deforestation-free certification for plant-based glycerin	Two to three years	Loss of EU orders

### Strategic opportunity exploration

Opportunity areas	Value creation points	Transformation path	Commercial value
Medical atomized liquids	Apply for FDA pharmaceutical-grade certification	Collaborate with respiratory disease research institutions	Product premium
Biodegradable formulas	Develop cellulose-based atomized liquids	Jointly develop with professional institutions	Reduced disposal costs
Carbon label certification	The industry's first carbon footprint declaration for atomized liquid products	Adopt ISO 14067 standard certification	Green product attributes

## Three-Level Defense System



## Impact, Risk, and Opportunity Management

The Company plans and implements the *Management Procedure for Identification and Evaluation of Environmental Factors*, which covers the entire lifecycle of products from raw material procurement, production, and R&D, addressing the environmental and safety impacts generated at each stage. By establishing evaluation criteria, we identify significant environmental impacts, communicate these major environmental factors through meetings, documents, and other channels within departments, and develop management plans for control.

### Establishment of Environmental Management System

To standardize environmental compliance in the Company's production and operations, strengthen the management of environmental issues, improve the constraint and incentive mechanisms, fully leverage the role of each department in environmental management, and ensure the implementation of environmental policies, regulations, management systems, standards, and measures, the Company has established a number of internal systems such as the *Production Environment Management System*, the *Wastewater, Waste Gas, and Noise Management Regulations*, the *Safety Operating Procedures for Sewage Treatment Equipment* and the *Management System for Toxic Substance Warehouses*, clearly defining the responsibilities of each department.

### Environmental Emergency Response Plan

To effectively prevent environmental risks, the Company has developed various emergency procedures and plans for incidents, including the *Food Safety Accident Emergency Plan*, the *Confined Space Work Emergency Plan*, the *Occupational Disease Hazard Emergency Rescue and Management System*, the *Emergency Preparedness and Response Control Procedure*, and the *Safety Production Accident Emergency Plan*. These plans clarify the responsible institutions for emergency response and the corresponding actions to minimize and eliminate environmental risks arising from emergencies, thereby strengthening environmental risk control.

### Metrics and Goals

Rate of compliant pollutant emission

100%

Amount of penalties imposed due to significant administrative penalties from ecological, environmental, or other relevant departments, or criminal liabilities arising from environmental incidents

0 Yuan

Number of major environmental pollution accidents

0 Start

# Pollutant Emissions

The Company upholds its environmental protection responsibilities and strictly adheres to national and local environmental protection regulations, implementing stringent management of waste gas, wastewater, and solid waste generated during production. We continuously optimize treatment measures, regularly monitor emissions, and entrust professional third-party organizations to handle solid waste in compliance with regulations, ensuring that all emission indicators meet standards and minimizing the negative impact on the environment.

## Governance

The Company incorporates pollutant emission management into the environmental goal management system and implements strict control over pollutant emissions in accordance with the environmental management framework.

## Strategy

The Company strictly follows the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Water Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Noise Pollution Prevention and Control Law of the People's Republic of China*, the *Solid Waste Pollution Environmental Protection Law of the People's Republic of China*, the *Measures for the Environmental Management of Hazardous Waste*, the *Guangdong Province Air Pollution Prevention and Control Regulations*, and the *Guangdong Province Water Pollution Prevention and Control Regulations*. The Company is not a key polluting enterprise and has not been included in the list of enterprises required by law to disclose environmental information. Failure to meet pollutant emission standards may result in the risk of administrative penalties. In cases of failure to correct emissions after the deadline, the environmental protection authorities may order production suspension for rectification, affecting the Company's production and business activities. For employees, this may lead to a deterioration in workplace environmental quality, such as air pollution and noise pollution, which directly impacts their health and work efficiency. For the local community and residents, industrial emissions of odorous gases such as malodorous compounds, ammonia, and hydrogen sulfide, may worsen air quality and harm residents' health. Additionally, industrial wastewater and domestic waste may damage water bodies and their self-purification capacity, leading to the pollution of surface water and groundwater. The major risk identified by the Company is the non-complaint emission of pollutants.

Pollutant emission compliance impact analysis

Emission type	Monitoring indicator	Monitoring frequency
Fugitive waste gas	Hydrogen sulfide, ammonia, and odorous gas concentrations	Regular monitoring
Industrial wastewater	pH, suspended solids, COD, BOD, ammonia nitrogen, total phosphorus, and petroleum substances	Regular monitoring
Domestic wastewater	pH, suspended solids, COD, BOD, ammonia nitrogen, total phosphorus, animal and vegetable oils, and anionic surfactants	Regular monitoring

## Impact, Risk, and Opportunity Management

The Company plans and implements the *Risk and Opportunity Control Procedure* to identify and manage potential environmental risks. The Company's pollutant emissions and waste treatment strictly comply with relevant laws and regulations.



### Wastewater management

The Company regulates the management of domestic and industrial wastewater and has developed the *Instructions for Wastewater Treatment Operations* to ensure that the wastewater treatment process meets required standards. We strictly adhere to the relevant standards stated in the *Water Quality Standards for Discharging Wastewater into Municipal Sewer Systems and Emission Limits for Water Pollutants* to ensure compliant discharge of wastewater.

### Cleaning wastewater

Cleaning wastewater is first collected from the workshop cleaning discharge points through pipes into a collection bucket, then regulated via control valves to allow the wastewater to flow by gravity in a controlled amount to the first stage of the integrated wastewater treatment equipment (flocculation reaction system) for chemical dosing and reaction. After pH adjustment, flocculation, and coagulation, the mixed liquid enters the primary settling tank for sedimentation. The settled sludge is periodically discharged into the sludge tank for self-compression, while the supernatant is discharged into the intermediate water tank. When the liquid level in the intermediate water tank rises to the high-level control point, the intermediate pump automatically starts and pumps the settled supernatant to the UASB system for deep treatment. After treatment in the UASB, the effluent flows by gravity to the anaerobic tank and then undergoes secondary contact oxidation reaction before flowing into the MBR membrane tank. After membrane filtration, the effluent meets the discharge standards and is released.

### Domestic wastewater

After treatment in a three-chamber septic tank, the wastewater enters the municipal sewage interception network. After being treated by a three-stage septic tank, it enters the municipal sewage interception network.

### Wastewater discharge volume in 2024

Industrial wastewater discharge

**8,350**Tons

Domestic wastewater discharge

**17,092**Tons



### Waste gas management

We attach great importance to the prevention and control of air pollution, strictly comply with the relevant laws and regulations such as the *Air Pollution Prevention and Control Law of People's Republic of China and Guangdong Province Air Pollution Prevention and Control Regulations*, and strictly monitor and control the exhaust gases generated in the production process. Especially for odorous gases, ammonia, hydrogen sulfide, and other foul-smelling gases emitted during stirring, filling, and wastewater treatment, we implement strict management to ensure that the emission of all odorous gases complies with the national *Odorous Pollutant Emission Standards*, effectively protecting the atmosphere.



### Noise management

The Company emphasizes the control of industrial noise emissions both inside and outside the plant, strictly adhering to environmental noise limits and production time requirements. We have installed low-noise equipment, such as environmentally friendly low-noise screw compressors, to reduce noise sources. High-noise equipment is equipped with vibration reduction devices and silencers. The noise at the plant boundary meets relevant standard control requirements, with minimal impact on the surrounding environment.



### Waste management

We attach great importance to the compliant handling and disposal of waste, strictly adhering to relevant laws and regulations such as the *Solid Waste Pollution Prevention and Control Law of the People's Republic of China and the Measures for the Environmental Management of Hazardous Waste*. We have established the *Waste Management Procedure*, classifying waste generated from production, office, or other activities based on their characteristics and actual conditions into hazardous waste and general waste. We further subdivide them into recyclable and non-recyclable categories, implementing refined waste management. We closely cooperate with qualified third-party organizations to ensure that waste disposal complies with national environmental protection regulations, effectively reducing environmental emissions and minimizing environmental pressure.

#### Waste disposal methods:

- ✔ General waste (household waste) is collected and cleaned by a third-party company on a daily basis.
- ✔ The general industrial solid waste is temporarily stored in a solid waste warehouse. After reaching the storage capacity standard, qualified units are notified for disposal, and the Industrial Waste Transfer Manifest is kept.
- ✔ Hazardous waste, based on its generation volume, needs to be transferred to qualified facilities at least once a year, and the Hazardous Waste Transfer Manifest must be retained.
- ✔ The warehouse should be divided into different zones based on the types and characteristics of hazardous waste, with intervals between each zone.
- ✔ The warehouse should be equipped with rainproof, fireproof, lightning protection devices, lighting facilities, and fire protection facilities.
- ✔ The warehouse should have dedicated personnel and be managed with locking mechanisms.

### Waste generation volume in 2024

General waste  
**46.16** tons

Hazardous waste  
**47.058** tons

# Energy Resource Management

## Energy Management

Hongfu highly values resource efficiency management and vigorously advocates the operational concept of conserving resources and enhancing efficiency. We strengthen the establishment of energy management system, water resource management system, and material management system. We dynamically track the Company's resource consumption and continuously enhance the efficiency of resource utilization. We are committed to building the Company into a resource-saving enterprise.

During our operations, we strictly abide by the laws and regulations such as the *Energy Conservation Law of the People's Republic of China* and the *Regulations on Energy Conservation Management for Electricity Use*. We are committed to becoming an energy-saving and environmentally friendly enterprise. We optimize our production plans and scheduling to reduce energy consumption, conduct energy-saving transformations on production lines to improve energy efficiency, and implement quantified tracking of energy consumption to dynamically optimize energy use. Additionally, we regularly provide energy-saving training to our employees to enhance their awareness and reduce daily office energy consumption.

### Energy consumption in 2024

Purchased electricity  
**4,014.727** MWh

Comprehensive energy consumption (equivalent)  
**493.41** tce

Energy consumption per unit of output  
**0.0023** tce/10,000 RMB

## Water Resource Management

We strictly comply with laws and regulations such as the *Water Law of the People's Republic of China and the Guangdong Province Water Conservation Measures*. We actively establish a water resource management system and strive to promote water conservation awareness. We actively implement water usage based on actual needs and reduce water resource wastage.

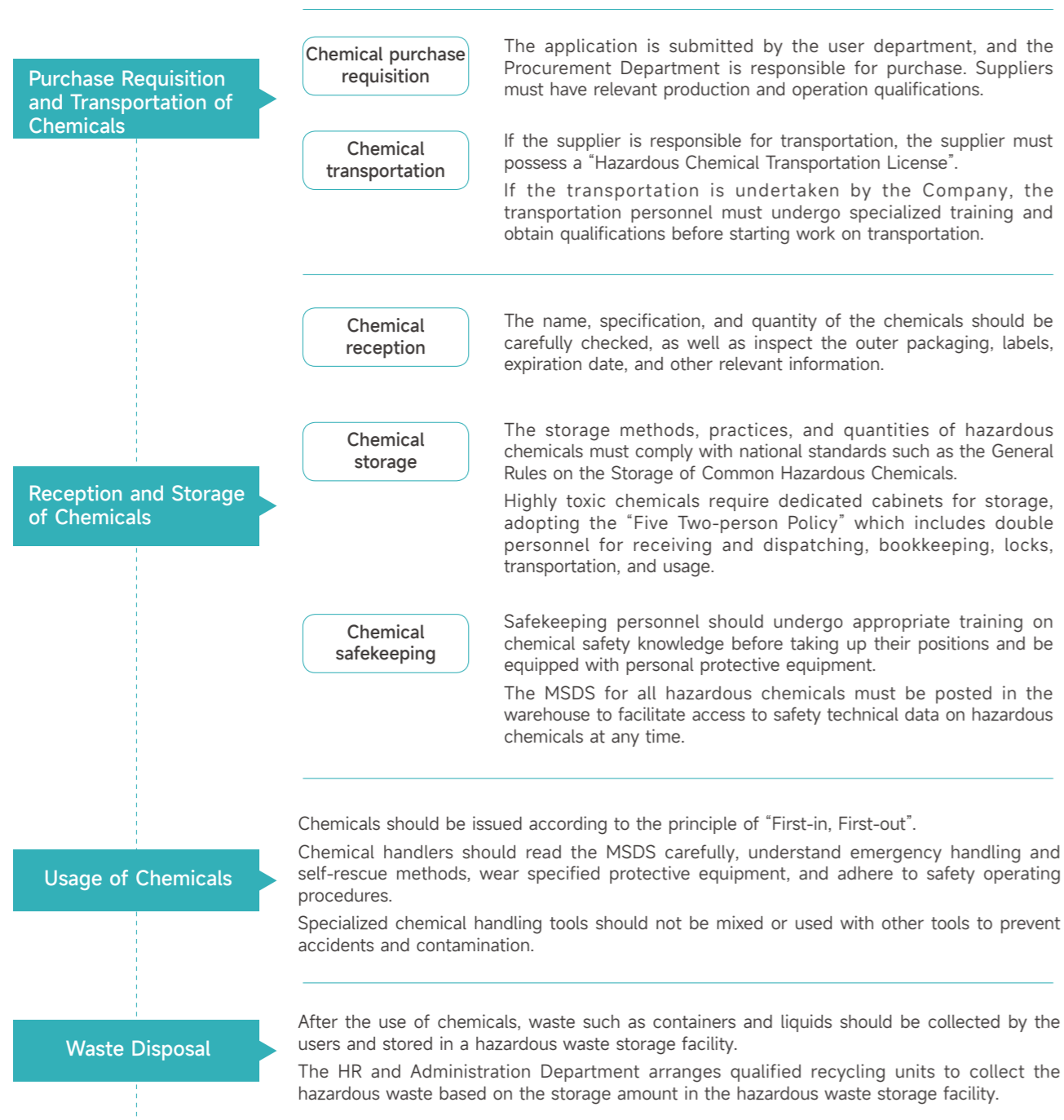
### Water consumption in 2024

Water consumption  
**27,342** tons

New water consumption per unit of output  
**0.13** tons per 10,000 RMB

# Chemical Management

We strictly adhere to the *Regulations on the Safety Management of Hazardous Chemicals* and other relevant laws and regulations, and have formulated the *Management Procedure for Chemicals* to ensure that the chemicals used by our company, especially the hazardous chemicals such as alcohol and nicotine, comply with safety requirements in all aspects including procurement, transportation, reception, storage, use, and disposal. Our aim is to prevent fire, leakage, and other accidents, and to ensure the stable operation of the Company and the safety of our employees.



# Biodiversity

Biodiversity is not only closely related to our life, but also has a profound impact on human society and the Earth. The Company actively responds to the United Nations *Convention on Biological Diversity*, firmly establishes the ecological civilization concept of respecting, conforming to, and protecting nature, and integrates biodiversity protection into the entire operational process. We work to protect the natural ecological environment, as well as wild plants and animals, and contribute to enhancing the diversity, stability, and sustainability of ecosystems.

The Company strictly avoids establishing factories in ecological protection zones or ecologically sensitive areas. There are no water source protection zones, ancient trees, famous trees, or cultural heritage sites near our factory that require special protection. The Company's production process has a minimal impact on the ecological environment, and our products do not affect the ecological environment. The Company is committed to actively safeguarding ecological civilization and achieving harmonious coexistence between humans and nature.

# Circular Economy

The Company integrates the concept of circular economy into the entire production and operation process. From product design to packaging design, we actively implement this development concept, strengthen the use of green materials, improve resource recycling rates, and strive to create a resource-conserving and environmentally friendly enterprise.

In terms of packaging materials, the Company conducts packaging design, procurement, and disposal work in accordance with relevant laws and regulations such as the *Product Quality Law of the People's Republic of China* and the *Notice of the General Office of the State Council on Addressing Excessive Packaging of Commodities*. During production and sales, we advocate the use of low-carbon, green, recyclable, renewable, and biodegradable eco-friendly packaging materials to reduce packaging waste. We regularly track the usage of packaging materials for shipped products. While ensuring product quality, we dynamically adjust the use of outer packaging materials. During the production process, we adopt a simplified packaging strategy based on the product characteristics. We do not design finished product packaging and use environmentally friendly plastic barrels as outer packaging materials to further reduce packaging waste.

## Packaging consumption in 2024

Packaging paper usage - small box	Packaging paper usage - medium box	Packaging paper usage - carton	
<b>72,740,435</b> PCS	<b>6,532,915</b> PCS	<b>364,184</b> PCS	
Plastic barrel usage - large barrel	Plastic barrel usage - small barrel	Reuse of supplier cartons	Reuse of supplier cardboard pallets
<b>869,423</b>	<b>119,565,386</b>	<b>17,620</b>	<b>980</b>
Number of barrels	Number of barrels	Number of cartons	Number of cardboard pallets

# 04

## Social Responsibility

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SDGs addressed in this chapter



# Employee Rights and Interests

The Company always adheres to the principle of compliant employment, and strictly abides by relevant laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and the *Regulations on the Prohibition of Child Labor*, to legally safeguard employees' basic rights and interests.

## Governance

The Company is committed to providing employees with a safe and fair working environment through standardized and transparent management practices. The HR and Administration Department is responsible for key affairs such as salary and benefits, diversified employment, and labor rights protection. The Company has established systems such as the *Employee Handbook of Dongguan Hongfu Biotechnology Co., Ltd. and the Salary System Plan*, and has set up an employee salary adjustment system to ensure that employee rights are fully protected.

## Strategy

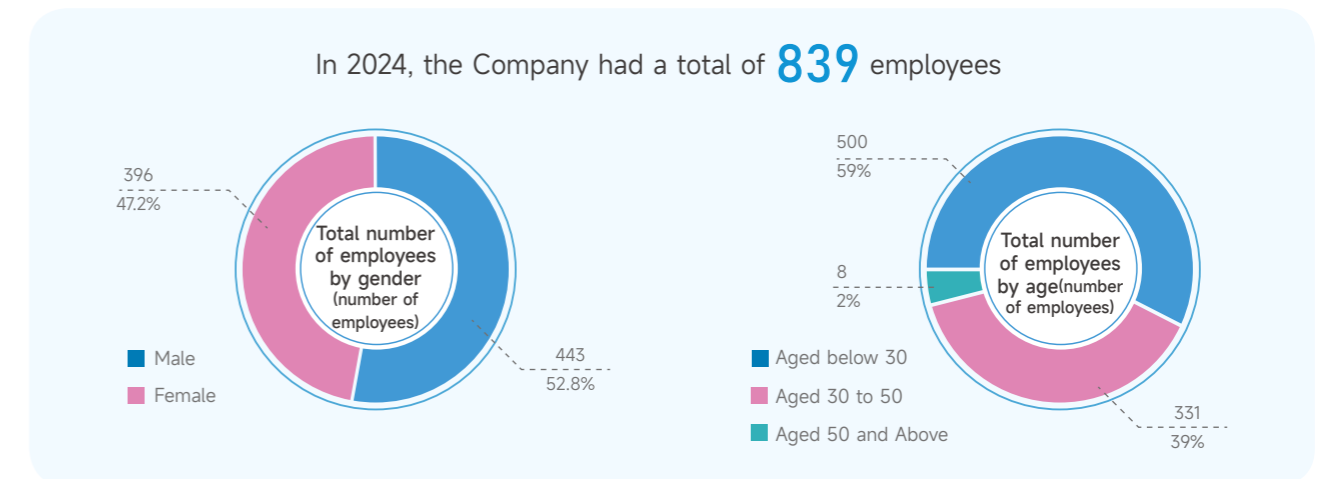
The Company's goal is to protect the rights and interests of employees, guided by the principles of reflecting the Company's management philosophy and establishing an orderly and efficient management system. The Company continuously promotes the development of the organization and talent team, optimization of incentive mechanisms, and improvement of human resource management efficiency.

The risks related to employee rights and interests identified by the Company include high employee turnover, labor disputes, and arbitration incidents. The occurrence of risk incidents related to employee rights and interests can cause multiple adverse effects, mainly including employee loss, increased labor costs, and operational risks.

# Risk Management

## Equal and Diversified Employment

The Company is committed to providing equal opportunities for every employee. In recruitment, salary and benefits, career development, and rewards and penalties, decisions are based on objective facts. The Company ensures equal pay for equal work and does not discriminate or treat employees differently based on gender, nationality, ethnicity, social background, language, marital status, or other reasons. In 2024, the Company had a total of 839 employees, including 443 male employees and 396 female employees, with female employees accounting for 49.20%. The Company had 500 employees under the age of 30, 331 employees between 30 and 50 years old, and eight employees aged 50 and above. Employees with a bachelor's degree or higher accounted for 19.4%, employees with a college diploma accounted for 29.9%, employees with technical secondary school or high school education accounted for 26.2%, and employees with elementary or junior high school education accounted for 24.5%. The Company had 759 frontline employees, 47 middle management employees, and 33 senior management employees (department heads and above), with female senior management employees accounting for 39.3%.



## Employee Employment Management

To ensure fair, equal, and respectful employment practices, the Company has established relevant systems for employee recruitment, promotion, and resignation, and has standardized behaviors such as the signing, performance, modification, termination, and dissolution of labor contracts. When recruiting and hiring employees, the Company strictly verifies the identity information of applicants. Upon onboarding, a legally valid labor contract is signed with the employee. When an employee resigns, the departure process is handled in accordance with the law. For internal employee transfers, the opinions of the transferring employee, the department being transferred from, and the receiving department are fully consulted to ensure consensus. During the reporting period, the labor contract signing rate for employees reached 100%; the Company didn't receive any human rights complaints, nor did it experience any major labor disputes, have any unresolved labor dispute cases, or report any incidents of discrimination, child labor, or forced labor.

## Salary Management System

Internally, the Company has established a salary structure that primarily includes basic salary, performance pay, and welfare subsidies, in accordance with the *Employee Handbook of Dongguan Hongfu Biotechnology Co., Ltd.* which benefits employee development. The Company has also published the Compensation System Plan, and adheres to the principle of "salary based on position, salary changes with position changes, and pay according to work". This plan defines the salary standards for different positions and levels, and establishes a scientific and feasible performance evaluation system to continually innovate incentive methods, while effectively stimulating employee motivation and cohesion, thereby promoting the sustainable and healthy development of the Company.

## Democratic Management and Communication

Democratic management and communication are key to ensuring that employees' democratic rights are truly implemented and are an important way to build harmonious labor relations. The Company attaches great importance to democratic management and insists on the Workers' Congress as the basic form of democratic management. The Company always establishes and improves the democratic management system, which is based on the Workers' Congress. We have developed the *Implementation Rules of Workers' Congress*, respect employees' opinions and suggestions, and are committed to creating a legal, democratic, harmonious, open, fair, and just communication environment for employees, fostering an atmosphere of mutual respect and trust.

The Company has established an *Internal Employee Reporting System* to encourage employees to report any violations of national laws and regulations or violations of the Company's operational standards and procedures. The Company forms an investigation team to address the reported issues, takes corrective actions, and implements protective measures for reporters.

## Employee Benefits

The Company strictly complies with national regulations by paying basic social insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance, and housing provident fund for employees, as well as providing paid leave. Every year, during the New Year, Spring Festival, Qingming Festival, Dragon Boat Festival, Labor Day, Mid-Autumn Festival, and National Day, the Company provides appropriate holiday subsidies, gifts, and organizes relevant activities to help employees relieve work stress and boost motivation. In 2024, the Company organized events such as a basketball game and aromatherapy activities.

The Company implements and improves national regulations regarding employees' working hours, statutory holidays, paid leave, overtime pay, etc. We have established a management mechanism for employee occupational health and safety to provide comprehensive protection of employees' legal rights and interests. We ensure the protection of female employees' labor rights and interests, and female employees are legally entitled to marriage leave, maternity leave, and special protection during pregnancy, maternity, and breastfeeding periods.



▲ Photos of the Basketball Game Activity



▲ Photos of the Aromatherapy Activity



▲ Holiday Benefits

Indicator Data

Total number of employees in 2024 <b>839</b> Number of employees	Number of male employees <b>443</b> Number of employees	Number of female employees <b>396</b> Number of employees	
Proportion of female employees <b>47.20%</b>	Proportion of female senior management personnel <b>39.3%</b>	Number of employees from vulnerable groups, such as persons with disabilities <b>5</b> Number of employees	
Number of employees aged below 30 <b>500</b> Number of employees	Number of employees aged 30 to 50 <b>331</b> Number of employees	Proportion of employees from vulnerable groups, such as persons with disabilities <b>0.50%</b>	
Number of employees aged above 50 <b>8</b> Number of employees	Employee turnover rate <b>1.7%</b>	Labor contract signing rate <b>100%</b>	Social insurance coverage rate <b>100%</b>



# Occupational Health and Safety

The Company always prioritizes employees' occupational health and safety, adhering to a people-centered corporate philosophy. We fully implement international and domestic occupational health and safety regulations and standards, systematically establishing a scientific and standardized occupational health and safety management mechanism. Through establishing regular education and training systems, organizing special safety practice activities, and deepening safety culture advocacy, we cultivate a prevention-oriented safety culture ecosystem, effectively enhancing employees' ability to prevent safety risks and their emergency operational skills. This ensures the protection of employees' occupational health rights and lays a solid safety management foundation for the Company's high-quality development.

## Governance

The Company centers its safety management around the Management Department, with the HR and Administration Department acting as the safety supervision and management body. These departments are responsible for the Company's safety production, fire safety management, and occupational health work. All employees have signed the *Production Safety Responsibility Agreement*, which clearly defines safety goals and management indicators, ensuring that safety responsibilities are broken down and implemented at all levels. This drives forward all safety-related work. The Company has established and effectively operates an occupational health and safety management system, which has been third-party certified for compliance and holds the relevant certificates.

## Strategy

The Company strictly complies with the *Work Safety Law of the People's Republic of China*, the *Fire Prevention Law of the People's Republic of China*, and the *Safety Production Standards of Electronic Cigarettes and Related Products—General Principle*, among other safety production-related laws and regulations. The goal is to build a comprehensive safety production control system, focusing on standardized management of work sites, key control points in processes, and the establishment of emergency response systems. The Company implements a dual-prevention mechanism based on risk-based production management and the full-loop management of hidden dangers, through four progressive stages: Systematic goal setting, standardized process execution, multi-dimensional effect evaluation, and continuous improvement. This process aims to create a self-improving, inherently safe company, forming a long-term operational mechanism that covers prevention, control, disposal, and optimization.

The Company has currently identified occupational health and safety risks, including mechanical injuries such as crushing and cutting caused by equipment operation, as well as health hazards from chemical leaks or exposure. Improper chemical storage could also lead to fire and explosion risks, which would endanger employees' health.



## Risk Management

### Occupational Health Management

Hongfu aims to build a comprehensive occupational health and safety management system, guided by strategic orientation, and has formulated documents such as the *Environmental Occupational Health and Safety Monitoring and Measurement Procedure and the Work Injury and Occupational Disease Management Procedure*. The Company adheres to the core value of “safety first, people-oriented, compliance with laws and regulations, continuous improvement”. The Company strictly follows the ISO45001 management system framework, and systematically prepares the Integrated Management Manual. Through establishing a departmental responsibility matrix and a risk list control structure, we have created a governance model led by occupational health and safety managers, with departmental leaders vertically responsible and employee representatives involved in collaborative supervision. This ensures that our commitment to occupational health and safety is translated into measurable, traceable, and sustainable operational practices.

The Company has developed internal control procedures, such as the *Hazard Identification and Risk Assessment Management Procedure*, to identify hazards in processes such as production, equipment maintenance, electrical use and repair, raw material and finished product handling, and chemical storage. The negative occupational health impacts caused by these hazards are listed, and corrective measures are implemented to minimize the likelihood of risk occurrences, ensuring employees’ health and safety.

### Safety Production Hazard Inspection

The Company has innovatively established a dual-prevention collaborative mechanism for risk management and hazard identification, integrating a risk matrix-based grading control system with an intelligent hazard closure system. By building a dual-track defense system of “Preventive Control (dynamic risk identification–assessment and grading–precise measures)” and “Corrective Control (intelligent hazard identification–root cause analysis–systematic defect elimination)”, we form a full-chain prevention and control model of “ex-ante scientific pre-control, in-event real-time monitoring, and ex-post in-depth governance”. This system enables the visualization of safety risk levels and a comprehensive evaluation of hazard control effectiveness, ultimately achieving a fundamental shift in the Company’s safety posture from passive response to active defense.

The Company has established internal systems such as the *Safety Inspection System and Hazard Investigation and Control System*, requiring departments to regularly conduct safety inspections. Different scenarios are addressed with various safety hazard identification forms, including holiday safety hazard checklists, routine safety hazard checklists, and confined space safety hazard checklists, ensuring comprehensive identification of all types of safety hazards. In 2024, the Company conducted a total of 17 hazard inspections, discovering 18 hazard issues, all of which have been rectified, achieving a 100% rectification rate. Additionally, in daily operations, the Company conducts safety inspections once a month, ensuring full coverage of all safety hazards each quarter, with 100% participation from all departments. Moreover, comprehensive laboratory inspections, professional inspections, seasonal inspections, major event or holiday pre-checks, job safety checks, daily safety patrols, and other types of inspections are conducted, all with strict frequency requirements, to ensure production safety through rigorous implementation of inspection work.

#### Key Performance

In 2024, the Company conducted a total of **17** hazard inspections, discovering **18** hazard issues, all of which have been rectified, achieving a **100%** rectification rate.



## Safety Production Emergency Management

To enhance employees’ emergency response capabilities, the Company has formulated the *Emergency Preparedness and Response Management Procedure*, the *Safety Production Emergency Plan*, the *Emergency Rescue Management System*, etc., creating a full-cycle emergency management process that covers preventive preparation, monitoring and early warning, emergency response and rescue, and recovery assessment. This effectively prevents and controls potential environmental accidents or emergencies.

The HR and Administration Department regularly organizes safety accident emergency drills, clarifying responsibilities and management objectives. Department heads provide unified command and coordination during the drills, enhancing the safety management responsibility awareness of all employees, preventing safety accidents, and creating a stable and harmonious production environment to protect the safety of the Company’s property and employees.

#### Case The Company conducts safety production emergency drills

During the reporting period, the Company conducted fire safety education drills, power failure emergency drills, water supply failure emergency drills, confined space operation emergency drills, and other safety exercises. All employees participated in these activities, which not only disseminated relevant knowledge but also improved employees’ emergency response capabilities in the event of sudden accidents. These drills effectively tested the feasibility and operability of the Company’s emergency rescue plans.



## Occupational Monitoring and Safety Production Training

To embed the cultural concept of ensuring occupational health and safety production into employees' minds, the Company conducts various occupational health and safety training programs to ensure that employees understand basic occupational health knowledge, occupational hazard prevention and management systems and operating procedures, safety regulations at the workplace, and emergency protocols.

The Company has established the *Safety Education and Training* Management System, and follows this system to advance safety education and training annually. This ensures that employees become familiar with safety production regulations and safe operating procedures, acquire necessary safety production knowledge, master the safety operation skills for their respective roles, and enhance their ability to prevent accidents, control occupational hazards, and respond to emergencies. The Administration Department is responsible for preparing the annual education and training plan and systematically implementing the training. In 2024, the Company conducted 16 trainings related to occupational health and safety production. The training topics included basic toxicology knowledge, GHS health hazards, aquatic environment hazards, confined space safety knowledge, equipment safety, safe electricity use, three-level safety education, equipment operation safety, and employee safety awareness. The effectiveness of the training was ensured through on-site questioning and oral exams. The Company also organizes regular training for emergency rescue personnel to provide a good platform for maintaining and improving their professional abilities.

### Case Nicotine-specific knowledge training

During the reporting period, the Company invited Mr. Feng Jianguo, a safety management expert from Shenzhen, to conduct a specialized nicotine knowledge training. The training lasted approximately two hours, with 30 relevant operational personnel as trainees.



### Case Charismatic leadership training

During the reporting period, the Company invited an external instructor to conduct "Charismatic Leadership" training for all department heads.



## Indicator Data

Number of occupational health and safety drills

**5** Number of drills

New cases of occupational diseases diagnosed

**0** Number of cases

Coverage rate of occupational health check-up for special occupational groups

**100%**

Number of occupational health and safety trainings

**16** Number of trainings

Investment in occupational health and safety production

**9.8** (10,000 RMB)

Accident hazard rectification rate

**100%**

Coverage rate of occupational health and safety training

**100%**

Injury rate per 1,000 employees

**1**‰

Coverage rate of work injury insurance

**100%**

Number of major safety accidents (fire accidents with direct economic losses of RMB100,000 or more, work injury accidents with medical costs of RMB10,000 or more)

**0** Number of incidents

Pass rate of audits for occupational health and safety system

**100%**

Number of major EHS (environmental, health, and safety) impact incidents (incidents causing production stoppage, violations of administrative regulations or legal penalties, or severe damage to the Company's reputation)

**0** Number of incidents

Certification rate for company leaders, safety management personnel, and special (equipment) operators

**100%**



# Employee Training and Development

The Company consistently adheres to a “people-oriented” management philosophy and has established a comprehensive talent development system. Focusing on the full career development cycle of employees, we provide professional skills and training opportunities to help employees grow, while ensuring that promotion decisions are transparent and data-driven, guaranteeing fair promotion opportunities. We ensure that each employee’s growth rate determines their career advancement, and breakthroughs in abilities will be met with corresponding development opportunities.

## Governance

The HR and Administration Department is responsible for employee promotions and training development, while department heads are responsible for evaluating and supervising the daily work of employees in their departments, providing a basis for employee promotions. The Company has established internal systems and procedures such as the *Promotion Assessment System*, the *Dual-Track Management System*, and the *Human Resources Control Procedure* to provide employees with training opportunities that meet their career development needs, thus fostering a fair, just, and open competitive environment within the Company and standardizing the promotion and advancement processes for employees.

## Strategy

A fair promotion mechanism and a systematic training system are the core driving forces for the sustainable development of the Company. A transparent promotion channel can effectively unleash employees’ potential, create a positive competitive atmosphere, and ensure optimal person-job matching. Targeted capability development not only enhances employees’ professional skills but also ensures they align with the Company’s development needs. These two elements complement each other, enhancing employees’ sense of belonging and team cohesion, while also building a talent pipeline that ultimately translates into the Company’s innovative vitality and core market competitiveness. Hongfu values the career development of each employee and, through a comprehensive promotion mechanism and training system, plans clear career growth paths for employees in production, technology, and other positions. We provide diverse development directions, ensure that promotion channels are transparent and smooth, and conduct targeted training to enhance professional abilities and overall competence, helping employees maximize their value in roles that suit them.

During the reporting period, the Company identified opportunities related to employee training and development, including the improvement of employees’ capabilities, which drives the rapid development of the Company’s professional abilities. The risks identified include internal competition and employees’ lack of professional skills, which may lead to employee turnover.

# Risk Management

## Fair Promotion

Hongfu attaches great importance to the career development of employees, ensuring equal career development opportunities for all. To establish a fair and transparent career development mechanism, stimulate employees’ potential, and protect their career growth rights and interests, the Company has systematized and standardized employee promotion paths and processes, as well as internal transfer management, and has established internal systems such as the *Promotion Assessment System* and the *Dual-Track Management System*.

Employees can advance their careers through either the management or professional track, with strict requirements, promotion processes, and evaluation criteria for both tracks. Every year in July, the Company conducts a unified promotion assessment. Employees who make special contributions to the Company, perform excellently, or show outstanding performance during their probation period, and who are recommended by department heads, can be promoted at any time after passing the assessment. For all employee promotions, the Company has a strict qualification review process. Employees submitting the *Management Position Promotion Recommendation Form* or *Employee Promotion Application Form* undergo evaluation by a review panel, which scores them on work experience, leadership ability, job skills, work attitude, innovation ability, development potential, and other factors, comprehensively assessing their abilities to ensure fairness and selecting talents that meet the Company’s development needs.



## Employee Training

In the knowledge economy era, the continuous improvement of employees' capabilities is the core driving force for a company's competitiveness. Hongfu views employee training as a strategic investment. Through a systematic and multi-dimensional training system, we empower employees to grow, drive organizational innovation, and provide solid support for their career development. The Company has established the *Human Resources Control Procedure and the Employee Training System* to conduct onboarding training, pre-job training and external training, and occasionally invites external instructors for lectures. The Company encourages employees to participate in various professional certifications and title evaluations to improve their professional abilities and competitiveness, adapt to the Company's talent needs, thus improving the overall quality and work capabilities of all employees, and enhancing work methods and work efficiency.

Training categories	Target trainees	Training content
Onboarding training	New employees	Basic content: Company profile, organizational structure, corporate culture, employee benefits, management systems, factory rules and regulations, employee handbook, etc. Other content: Environmental and occupational health and safety knowledge, and fire safety knowledge
Pre-job training	Operators of key processes, specialized personnel	Position-specific skills, work procedures, departmental management systems, safety production education, product production processes, quality requirements, etc.
External training	Personnel in demand	Improve employees' professional technical levels, expand their professional knowledge, and enhance management capabilities.

### Indicator Data

Total training hours for employees

**7,381.8** Hours

Employee training coverage rate

**100%**

Total investment in employee career training

**7.2** (10,000 RMB)

Average training hours per employee per year

**8.80** Hours

## Rural Revitalization and Social Contribution

As an important initiative in fulfilling corporate social responsibility, Hongfu has always integrated social welfare into the core of its sustainable development strategy. In recent years, while achieving high-quality development, the Company has committed itself to contributing corporate strength to society, actively participating in various charitable activities, and boldly taking on "corporate social responsibility".

During the reporting period, the Company donated RMB3,000 to the Dongguan Dalang Charity Association. As an authoritative organization in the local public welfare sector, the Dalang Charity Association has long been dedicated to integrating social resources to address key development challenges in the community. This charitable donation will be used to "consolidate poverty alleviation and assist rural revitalization", with a focus on advancing rural revitalization, accelerating the development of China into a country strong on agriculture, and building livable and business-friendly rural areas. It will also promote regional coordinated development in Dalang Town and further implement the "High-Quality Development Project for Hundreds of Counties, Thousands of Towns, and Myriads of Villages" as well as the Green and Beautiful Dongguan ecological construction. Through this collaboration, Hongfu has further strengthened its ties with local public welfare organizations, injecting corporate power into the creation of a harmonious and symbiotic community ecosystem.



# Key Performance Table

Performance indicator		Value	Unit
Financial performance	Operating income	215,127.53	10,000 RMB
	Output value	214,800	10,000 RMB
Governance performance	Number of directors	3	Number of employees
	Number of independent directors	0	Number of employees
	Number of female directors	0	Number of employees
	Proportion of female directors	0	%
	Number of meetings of the Shareholders' General meeting, the Board of Directors and the Board of Supervisors held	3	Number of meetings
	Business ethics training coverage rate	100	%
	Number of confirmed corruption and bribery incidents	0	Number of incidents
	Number of confirmed information security incidents	0	Number of incidents
	Number of complaints and reporting incidents	0	Number of incidents
	Number of proposals approved by the Board of Directors	8	Number of proposals
Compliance management performance	Number of compliance trainings and anti-corruption trainings	3	Number of trainings
	Number of trainees	712	Number of trainees
Risk management performance	Identified risk items	15	Item
	Risk management training	1	Number of trainings
Environmental management performance	Environmental protection investment	121.25	10,000 RMB
	Number of environmental protection emergency drills	2	Number of drills
	Number of environmental protection trainings	4	Number of trainings
	Coverage rate of environmental protection training	100	%
	Compliance rate of pollutant concentration and emission rates in discharged waste gases	100	%
	Amount of fines or criminal liability imposed due to environmental incidents by relevant authorities, such as ecological and environmental departments, during the reporting period	0	RMB
	Major environmental pollution accidents during the reporting period	0	Number of accidents
	Percentage of operating premises holding ISO 14001 Environmental Certification	33	%

Performance indicator		Value	Unit
Pollutant emissions	Number of cases in which the Company is subject to any major administrative penalty or criminal liability due to pollutant emissions during the reporting period	0	Number of cases
	Number of cases in which the Company is subject to any major administrative penalty or criminal liability due to pollutant emissions during the reporting period	0	Number of cases
	Total industrial wastewater discharge	8,350	M3
	Total domestic wastewater discharge	17,092	M3
	Compliant emission rate of wastewater and waste gas	100	%
Energy utilization	Electricity consumption	4,014.727	MWh
	Comprehensive energy consumption (equivalent)	493.41	tce
	Energy consumption per unit of output value	0.0023	tce/10,000 RMB
Water resource utilization	Total water consumption during the reporting period	27,342	t
	New water consumption per unit of output value	0.13	tons/10,000 RMB
	Number of violations related to water quality permits, standards, and regulations	0	Number of violations
Waste disposal	Non-hazardous waste generation	46.16	tons
	Hazardous waste generation	47.058	tons
Circular economy	Supplier cartons reused	17,620	Number of cartons
	Supplier cardboard pallets reused	980	Number of cardboard pallets
Greenhouse gas emissions performance	Total greenhouse gas emissions	30,927.25	tCO2e
	Scope I greenhouse gas emissions	93.55	tCO2e
	Scope II greenhouse gas emissions	1,767.68	tCO2e
	Scope III greenhouse gas emissions	29,066.01	tCO2e
	Greenhouse gas emission intensity per unit of output value	0.14	tCO2e/10,000 RMB
Employee responsibility performance	Total number of employees in 2024	839	Number of employees
	Number of male employees	443	Number of employees
	Number of female employees	396	Number of employees
	Proportion of female employees	49.2	%
	Proportion of female senior management personnel	39.3	%
	Number of employees from vulnerable groups, such as persons with disabilities	5	Number of employees
	Proportion of employees from vulnerable groups, such as persons with disabilities	0.6	%
	Number of employees aged below 30	500	Number of employees

	Performance indicator	Value	Unit
Employee responsibility performance	Number of employees aged 30 to 50	331	Number of employees
	Number of employees aged above 50	8	Number of employees
	Employee turnover rate	1.7	%
	Labor contract signing rate	100	%
	Social insurance coverage rate	100	%
	Total training hours for employees	7,381.8	Hours
	Total investment in employee career training	7.2	10,000 RMB
	Employee training coverage rate	100	%
Occupational health and safety performance	Number of occupational health and safety drills	5	Number of drills
	Number of occupational health and safety trainings	16	Number of trainings
	Coverage rate of occupational health and safety training	100	%
	New cases of occupational diseases diagnosed	0	Number of cases
	Investment in occupational health and safety production	9.8	10,000 RMB
	Injury Rate per 1,000 Employees	1	‰
	Number of major safety accidents (fire accidents with direct economic losses of RMB 100,000 or more, work injury accidents with medical costs of RMB10,000 or more)	0	Number of accidents
	Number of major EHS (environmental, health, and safety) impact incidents (incidents causing production stoppage, violations of administrative regulations or legal penalties, or severe damage to the Company's reputation)	0	Number of incidents
	Pass rate of audits for ISO 45001 occupational health and safety management system	100	%
	Certification rate for company leaders, safety management personnel, and special (equipment) operators	100	%
	Coverage rate of occupational health check-up for specialized personnel	100	%
	Accident hazard rectification rate	100	%
	Work injury insurance coverage rate	100	%
Innovation and R&D performance	Annual R&D investment	7,605.45	10,000 RMB
	Annual R&D as a percentage of operating income	3.5	%
	Total number of R&D personnel	159	Number of employees
	Proportion of R&D personnel	19	%

	Performance indicator	Value	Unit
Innovation and R&D performance	Amount of innovation incentives awarded	12.3	10,000 RMB
	Cumulative number of granted invention patents	9	Number of patents
	Cumulative number of granted utility model patents	26	Number of patents
	Cumulative number of standards whose formulation involves the Company's participation	1	Number of standards
Product and service performance	Product qualification rate	99.98	%
	Product recall incidents	0	Number of incidents
	Pass rate of audits for quality management system	100	%
	Customer satisfaction	96.75	%
	Customer complaint handling rate	100	%
	Number of quality safety accidents	0	Number of accidents
Data security and customer privacy protection	Number of quality capability improvement trainings	4	Number of trainings
	Number of data security breach incidents	0	Number of incidents
	Number of customer privacy breach incidents	0	Number of incidents
	Number of trainings related to data security/customer privacy protection	0	Number of trainings
	Encryption coverage rate of sensitive data	100	%
Supply chain management performance	Confidentiality agreement signing rate	100	%
	Number of qualified suppliers	119	Number of suppliers
	Number of local suppliers	77	Number of suppliers
	Local supplier procurement rate	58.07	%
	Number of suppliers with terminated cooperation	21	Number of suppliers
	Proportion of suppliers with terminated cooperation	15	%
	Number of suppliers certified with ISO 14001 by the end of the reporting year	34	Number of suppliers
	Number of suppliers certified with OHSAS 18001/ISO 45001 by the end of the reporting year	24	Number of suppliers
	Number of suppliers certified with ISO 9001 by the end of the reporting year	67.00	Number of suppliers
	Number of suppliers certified with ISO 22000/HACCP by the end of the reporting year	27	Number of suppliers
Social contribution	Amount of unpaid amounts to SMEs Overdue	0	10,000 RMB
	Annual charitable donation amount	0.3	10,000 RMB

# Index Table

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## Index Based on *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)*

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