



Henglin Home Furnishings Co., Ltd.

Environmental, Social and Governance (ESG) Report

2023

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About This Report

Introduction

This is the first Environmental, Social, and Governance (ESG) report released by Henglin Home Furnishings Co., Ltd. The report adheres to the principles of being objective, standardized, transparent, and comprehensive. It discloses in detail the practical measures and achievements of Henglin in terms of environmental, social and governance.

Reporting Period

This report is an annual report covering the period from January 1, 2023 to December 31, 2023, and some sections herein have been extended beyond the period to enhance the comparability and perceptiveness of this report.

Reporting Scope

This report primarily focuses on Henglin Home Furnishings Co., Ltd. Unless otherwise stated, this report covers Henglin Home Furnishings Co., Ltd. and its subsidiaries (please see details in the 2023 Annual Report of Henglin Home Furnishings Co., Ltd.).

Preparation Basis

- Shanghai Stock Exchange *Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Listed Companies*
- Chinese Academy of Social Sciences (CASS) *Guidelines for Preparing Corporate Social Responsibility Reports in China (CASS-ESG 5.0)*
- UN Sustainable Development Goals (SDGs) 2030
- Global Reporting Initiative *Sustainability Reporting Standards (GRI Standards)*

Data Sources and Reliability Assurance

All information and data referenced in this report are sourced exclusively from the official documents, statistical reports and financial statements of Henglin Home Furnishings Co., Ltd., as well as internal data and public information gathered, consolidated and audited across functional departments and business units within Henglin. Furthermore, to ensure completeness and continuity of explanations, we have reviewed and extended some content of this report under specific topics. Unless otherwise specified, all amounts in this report are expressed in RMB. Any discrepancy between financial data herein and that in the annual report, the financial data in the annual report shall prevail.

Appellation Description

For ease of expression and readability, "Henglin Home Furnishings Co., Ltd." and its subsidiaries are referred to as follows in the context of this report:

Term	Interpretation
Henglin, the Company, or We	Henglin Home Furnishings Co., Ltd.
Hengyi Furniture	Anji Hengyi Furniture Co., Ltd.
Guangde Henglin	Guangde Henglin Furnishings Co., Ltd.
Huzhou Hengxin	Huzhou Hengxin Metal Products Co., Ltd.
Ruide Sponge	Ruide Sponge (Zhejiang) Co., Ltd.
Hengyou Technology	Anji Hengyou Technology Co., Ltd.
Anhui Euroline	Euroline (Anhui) Furniture Co., Ltd.
Chuboshi	DONGGUAN RIVERSIDE CABINETRIES CORP
YOYU	ZheJiang Yongyu Home Furnishings Co., Ltd.
LO	Lista Office Group AG
Vietnam Henglin	Vietnam Henglin Home Furnishings Co., Ltd.

Access to this Report

To practice the philosophy of low-carbon environmental protection and sustainable development, this report can be accessed online or downloaded in electronic from the websites of the Company (<http://www.henglin.com>) or the Shanghai Stock Exchange (<http://www.sse.com.cn>). This report is prepared in Chinese and English respectively. In case of any misunderstanding between the Chinese and English versions, the Chinese version will prevail. If you would like to learn more about other information beyond this report, you can refer to the annual financial statements or browse the website of the Company.

For any feedback or suggestions, you can contact us in the following modes:

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Message from the Chairman



In 2023, China's cross-border e-commerce benefited from a number of positive developments. These included the continuous release of dividends from stable foreign trade policies, the expanding advantages of the home furnishing supply chain and the increasing penetration rates of overseas platforms. The home furnishing export industry has undergone an evolutionary process from building information platforms, developing transaction services, perfecting service chains, to achieving ecological development. With the continuous improvement of compliance and supporting systems, the industry has formally entered a stage of high-quality development.

With the vision of "Becoming a first-class home furnishing enterprise", Henglin is committed to providing global consumers with high-quality, environmentally friendly and healthy home furnishing products. Devoted to sustainable development, we actively participate in social welfare activities, and make positive contributions to society. Our mission is to "Enable the public to enjoy a healthy and comfortable lifestyle". We always focus on improving people's quality of life and meeting their health needs. We develop ergonomic, environmentally friendly, and healthy home furnishing products, to create a comfortable, healthy, and aesthetically pleasing living environment for consumers. Adhering to the values of "Integrity, Gratitude, Fairness, and Inclusiveness", we win customers' trust with integrity, show gratitude to society and employees, treat partners and competitors with fairness, and continuously innovate and develop with an inclusive spirit.

Stewardship in the Home Furnishings Market: Upholding Lawful Operations and Integrity.

Steadily steering the home furnishing market, Henglin deeply understands the importance of compliance and internal control to corporate governance. We adhere to social responsibility and the principle of integrity, and establish a sound internal control system to ensure compliant operations. We strictly comply with laws and regulations and improve internal rules and regulations to ensure standardized operations. In addition, we establish a clear corporate governance structure, attach importance to investor relations management, ensure true and accurate information disclosure, and protect the rights and interests of investors.

Leadership in Low-Carbon Development Trend: Guarding the Greenness of the World.

Green and low-carbon transformation is the core of ecological civilization construction and the key to high-quality economic and social development. Henglin adheres to the green ecology, abides by the laws and regulations concerning environmental protection, actively responds to the policies, and improves the environmental governance system. Facing global climate change, we rise to challenges, promote green production, reduce carbon emissions, and pursue carbon neutrality. We are committed to recycling resources, improving energy efficiency and reducing our environmental impact wherever possible. Henglin will endeavour to adhere to the principles of green development, with the aspiration of becoming a leading home furnishing enterprise. We will strive to spearhead the new trend of green and low-carbon development, and we will assist our customers in building green homes.

Commitment to Excellence in Quality: Winning Reputation with Superior Service

Product quality is an intrinsic property of the furniture industry, the core competitiveness of furniture companies, and an important indicator for measuring the development level of furniture enterprises. Henglin pursues excellent quality in the principle of "Professionalism, Enthusiasm, Thoroughness, and Timeliness". We are committed to continuously improving our service management systems, protecting the rights and interests of our customers, and striving to enhance customer satisfaction. We continuously explore the field of comfortable home furnishings, and improve our R&D and innovation systems. Additionally, we create unique design concepts, integrate professional aesthetic design into real spaces, and expand the field of comfortable home furnishings with a novel aesthetic perspective, to lead the industry toward a new stage of development.

Creation of a Better Future for the Home Furnishing Industry: Sharing Trust to Build the Cornerstone for Long-Term Prosperity.

Henglin adheres to the core principles of "Equality and compliance, talent development, democratic communication, and safety production", upholds the spirit of public welfare, and contributes to society with practical actions, jointly building a prosperous future. We strive for both internal and external excellence, actively recruit talents, foster a diverse and inclusive working environment, and safeguard the rights and interests of employees. Talent is the foundation of Henglin. We prioritize employee growth, placing equal importance on both employee training and employee development. Simultaneously, we strive to enhance our safety and technology literacy by prioritizing risk prevention based on comprehensive risk management, to ensure worry-free safety production. Henglin is willing to work with all parties to create a better future for the home furnishing industry!

Taking New Quality Productive Force as the Engine to Promote High-Quality Development.

Our vision is to become a "First-class home furnishing enterprise" focusing on practicing the values of "Integrity, Gratitude, Fairness, and Inclusiveness". We are always committed to providing customers with green and healthy products and trustworthy services, continuously deepening research and development innovation, and pursuing excellence to meet the increasing needs of customers.

Looking forward to 2024, Henglin Corporation is deeply aware of the importance of high-quality development. It actively fosters new quality productive forces, treating them as a powerful engine for sustainable, high-quality growth. We will integrate green development into all aspects of production and operation, leverage the green advantages of new quality productive forces, and strive to move towards the road of development with higher quality, efficiency, fairness, sustainability and safety. We are confident that, with the support of the new quality productive force, Henglin will play a role in the advancement of China's home furnishing industry, contributing to a brighter future for all.



Company Profile

Established in 1998, Henglin Home Furnishings Co., Ltd. (Stock Code: 603661.SH) is a national high-tech enterprise integrating R&D, production and sales of home furnishings such as office chairs, sofas, system office furniture, and new material floors. Selling our products worldwide, we are a leading developer of healthy seating solutions in China, as well as one of the largest manufacturers and exporters of office chairs domestically.

We have consistently pursued the vision of “Becoming a first-class home furnishing enterprise”, and practiced the values of “Integrity, Gratitude, Fairness, and Inclusiveness”. We continuously provide customers and users with satisfactory products and reliable service, and consistently consolidate and enhance our standing within the industry. Furthermore, we actively participate in and lead the research and formulation of various standards both domestically and internationally.

Meanwhile, drawing from the insights of the “Henglin Institute of Research on Intelligent Healthy Seating Enterprises”, we intensify our R&D efforts to continuously enhance the technological level of our healthy seating solutions. We are one of the drafters of the *General Technical Requirements for Intelligent Furniture*, and our independently developed and designed products have won numerous honors and awards both at home and abroad. We have a number of national qualifications such as Intellectual Property Advantageous Enterprise, Patent Demonstration Enterprise, Industrial Design Center, High-Tech Enterprise, and R&D Center.

Attaching great importance to brand influence, Henglin is committed to becoming a leading brand of healthy seating trusted by consumers. With outstanding performance and remarkable contributions, we have been honored “2023 Top 10 Leading Enterprises Among Home Furnishing Suppliers”, “2023 Top 10 Leading Brands of Office Furniture for Government Procurement”, “2023 Top 10 Leading Brands of Chinese Office Furniture”, “2023 Top 10 Brands of Chinese Intelligent Office Furniture”, “2023 Gold Prize for Furniture Category of China Furniture Product Innovation Awards”, and “Top 200 Enterprises in China’s Light Industry”, showcasing our influence and standing in the industry.

With the strategic development goal of realizing “Big Home Furnishing”, Henglin is committed to deepening the strategic layout of the industry. Through the development of ergonomic products, system office furniture, and civilian home furnishings, we integrate and share industry resources and build Henglin as a “Big Home” brand, providing one-stop home furnishing solutions for consumers.

Business Overview

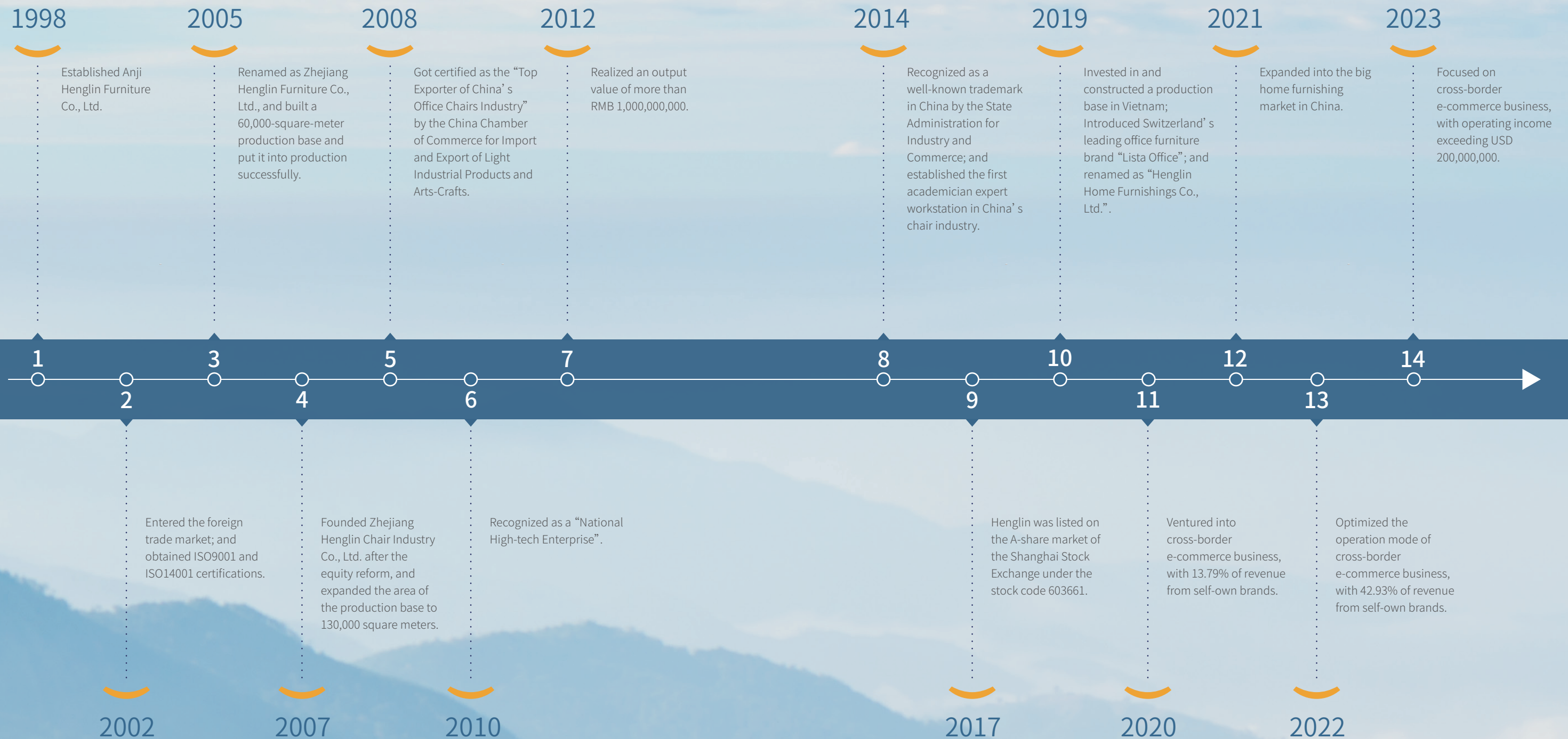
Henglin is dedicated to providing comprehensive space solutions for offices and other civil places around the globe. The Company aspires to create a more flexible and comfortable living experience for customers. We are proud to offer a diverse range of products, including office chairs, sofas, system offices, new material flooring, and more. These products aim to integrate health, technology, and aesthetics in a seamless manner, with the intention of serving as core necessities for the realization of efficient offices and comfortable lives. We are committed to maintaining the highest standards of quality to meet the evolving needs of our customers.

Since our establishment, we have consistently expanded our global market reach and diversified our business operations with a pioneering and enterprising spirit. In 2019, we successfully expanded into the field of system office furniture by introducing high-end system office brand (LO) from Switzerland. In 2021, we further expanded our presence in the home furnishing sector and developed diversified products such as home cabinets, wardrobes, and wooden doors, enriching our home furnishing product line. In 2022, we further broadened the scope of its home furnishing business by introducing the home furnishing brand “YOYU” which specializes in the research, development, production and sales of new-material floors, wall panels and bamboo furniture. This move significantly enriched our product line and enhanced our comprehensive competitiveness in the industry.

Henglin adheres to the principle of aligning long-term strategies with short-term strategies. To realize our vision of “Becoming a first-class home furnishing enterprise”, we continuously promote the “Big Home Furnishings” strategy, focusing on product branding and dual circulation in both domestic and international markets.



Company Timeline & Milestones



Product System

Adhering to unique aesthetic concepts, Henglin constantly crafts cost-effective and comfortable home furnishings. We continuously upgrade product capabilities and infuse seats, office furniture and customized home furnishings with new connotations from function to appearance, thereby forming a unique “Henglin” style.

Ergonomic products: 26 years of R&D and manufacturing of healthy seats



Ergonomic office chairs



Height-adjustable desks

System office furniture: Made in Switzerland, with internationally leading quality



Office space design

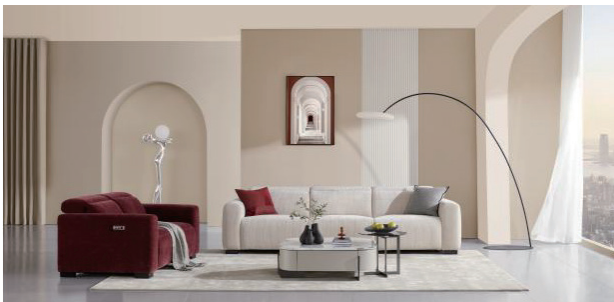
Office furniture integration



Packaged service


Customized service

Civilian home furnishings: Cost-effective and comfortable home furnishings



Civilian sofas

Leisure sofas



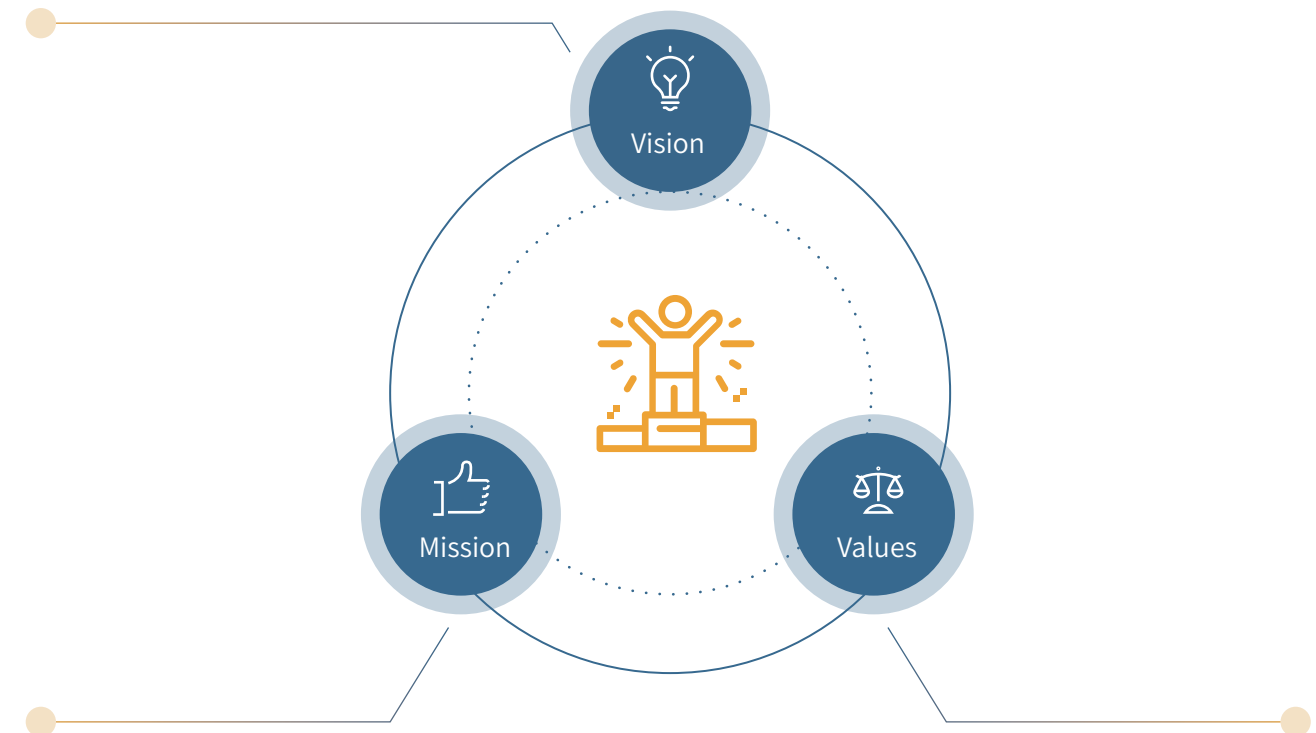
Massage chairs

SPC, VSPC, and other PVC floors

Corporate Culture

To become a first-class home furnishing enterprise

Henglin is committed to providing global consumers with high-quality, environmentally friendly and healthy home furnishing products. Devoted to sustainable development, we actively participate in social welfare activities, and make positive contributions to society.



To enable the public to enjoy a healthy and comfortable lifestyle

Henglin always focuses on improving people’s quality of life and meeting their health needs. We develop ergonomic, environmentally friendly, and healthy home furnishing products, to create a comfortable, healthy, and aesthetically pleasing living environment for consumers.

Integrity, Gratitude, Fairness, and Inclusiveness

Henglin wins customers’ trust with integrity, shows gratitude to society and employees, treats partners and competitors with fairness, and continuously innovates and develops with an inclusive spirit.



Significant Honors and Qualifications in 2023

Honor	Awarding Authority
National Green Factory	Ministry of Industry and Information Technology of the People's Republic of China
National Green Supply Chain Management Enterprise	Ministry of Industry and Information Technology of the People's Republic of China
Top 200 Enterprises in China's Light Industry	China National Light Industry Council
Top 100 Technological Enterprises in China's Light Industry	China National Light Industry Council
Top 10 Enterprises in China's Office Furniture Industry	China National Light Industry Council
2023 Future Factory Pilot Enterprise of Zhejiang Province	Economy and Information Technology Department of Zhejiang Province
2023 Top 10 Leading Enterprises Among Furniture Suppliers	www.chinabidding.com or www.paihang360.com
2023 Top 10 Leading Brands of Office Furniture for Government Procurement	www.chinabidding.com or www.paihang360.com
2023 Top 10 Brands of Intelligent Office Furniture in China	National Bidding Supply Chain Brand Promotion Platform
2023 Top 10 Leading Brands of Office Furniture in China	National Bidding Supply Chain Brand Promotion Platform
2023 Gold Prize for Furniture Category of China Furniture Product Innovation Awards	China National Furniture Association
Excellent Exterior Design Award in China	State Intellectual Property Office
Top 10 Innovative Office Furniture Designs in China Innovative Office Furniture Design Awards	Organizing Committee of China Innovative Office Furniture Design Awards
Excellent Design Innovation Products of Zhejiang Industrial Design Association in 2023	Zhejiang Industrial Design Association
2023 Major Taxpayer of Huzhou City	People's Government of Huzhou City
2023 "Golden Bull" Enterprise in Huzhou City	People's Government of Huzhou City



◎ Honor Image

Key Performance

⊙ Economic Performance

Operating Income	Total Profit	Total Taxes
RMB 8,195,000,000	RMB 333,000,000	RMB 370,000,000
Basic Earnings per Share	Total Assets	
RMB 1.91 /share	RMB 9,583,000,000	

⊙ Social Performance

Total Number of Employees	Number of Female Employees	Percentage of Contract Workers
10,251	4,084	100%
Social Insurance Coverage Rate	Percentage of Local Employees	Investment in R&D
100%	60.6%	RMB 221,000,000

⊙ Environmental Performance

Total Water Consumption	Clean Energy Consumption	Compliance Rate Observed in Pollutant Monitoring
497,377 tons	11.4583 million (kWh)	100%
Synchronized Operation Rate of Environmental Facilities	Compliance Rate of “Three Simultaneities” in Environmental Protection for Construction Projects	Number of Environmental Training Sessions
100%	100%	53 times

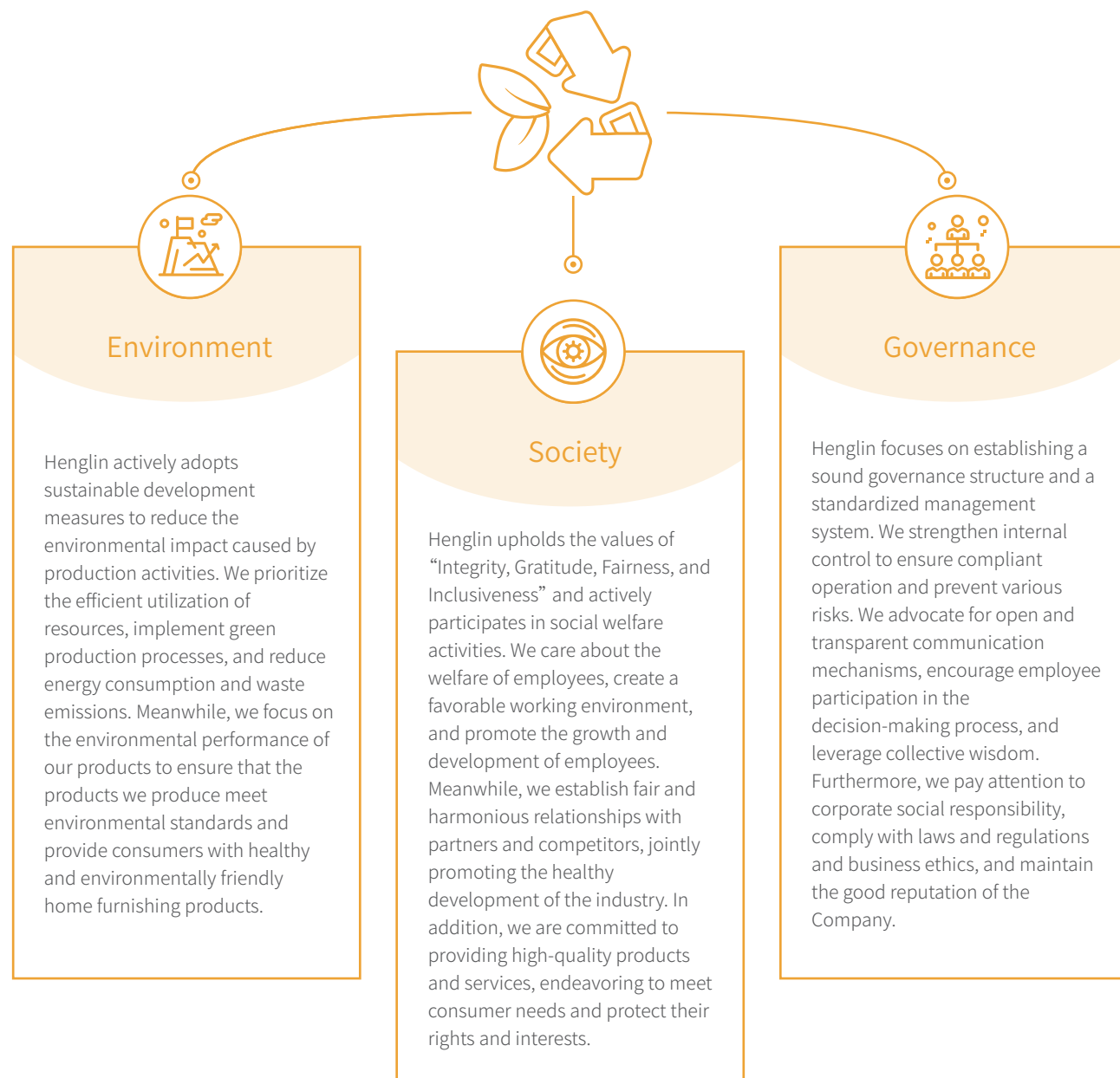
⊙ Governance Performance

Number of Shareholders' General Meetings	Number of Board of Directors meetings	Number of Board of Supervisors meetings
2 times	8 times	6 times
The proportion of female directors in the Board of Directors	The proportion of independent directors in the Board of Directors	
40%	40%	

Sustainable Development Management

Sustainable Development Philosophy

With the mission of “Enabling the public to enjoy a healthy and comfortable lifestyle”, Henglin continuously pursues green products and solutions, and practices the philosophy of sustainable development. Meanwhile, guided by our vision of “Becoming a first-class home furnishing enterprise”, we are committed to promoting the development of the big home furnishing industry and providing customers with a more environmentally friendly, healthy and comfortable lifestyle. Upholding the values of “Integrity, Gratitude, Fairness, and Inclusiveness”, we adhere to honest operation, express gratitude to society, treat customers and partners fairly, integrate diverse cultures, and promote the sustainable development of the Company.



Comprehensive Risk Management

During the Reporting Period, Henglin was committed to deepening risk identification and management, comprehensively examining various risks that may affect the long-term development of the Company. The Company conducted in-depth analysis and quantitative assessment of potential market risks, financial risks, operational risks and technical risks by using risk assessment tools and methods. The assessment covered the uncertainty of the external environment, as well as various aspects of internal operations of the Company. Based on the assessment results, Henglin formulated targeted risk control measures and established relevant process control documents to ensure the effective implementation of various measures and the timely control of relevant risks, thus providing a solid guarantee for the sustainable and healthy development of the Company.



Stakeholder Communication

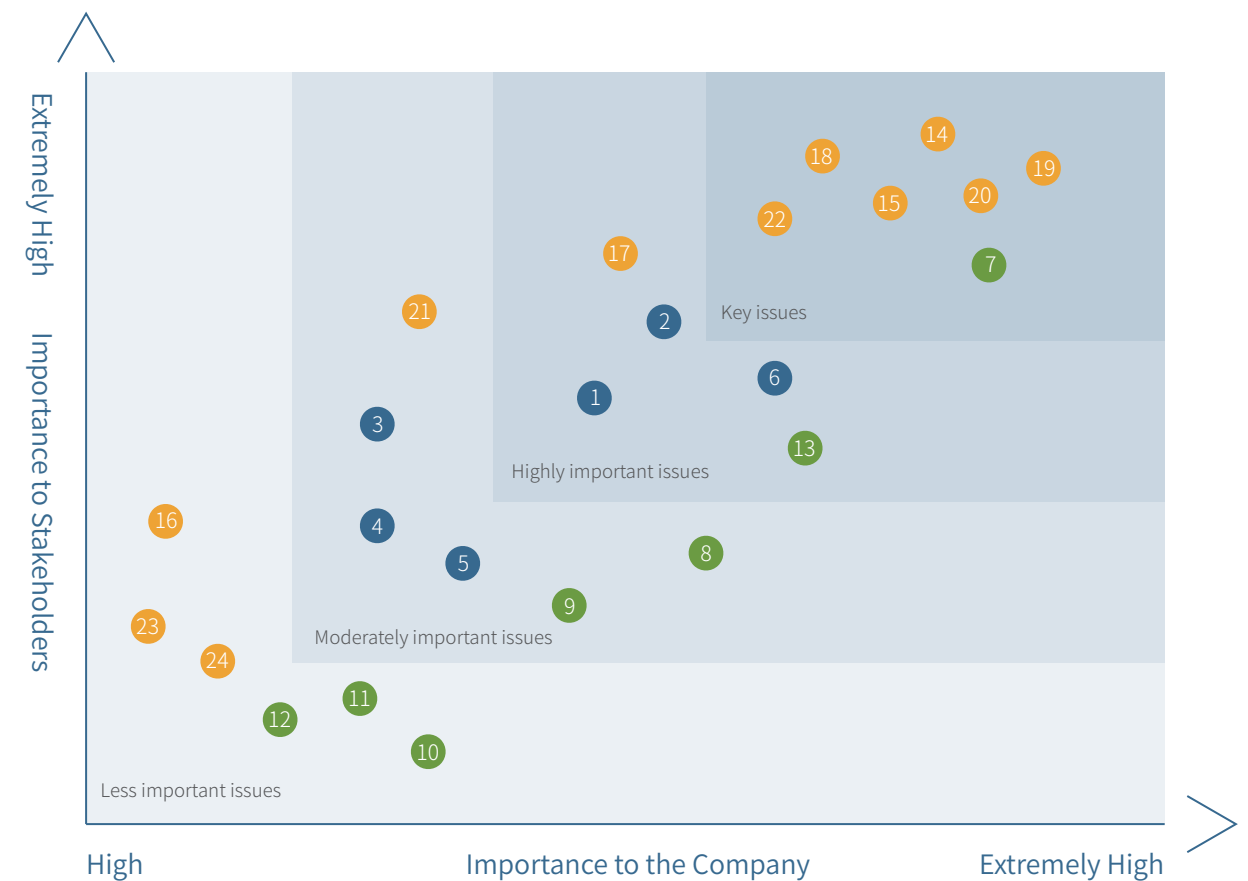
The needs of stakeholders are considered as our starting point for practicing sustainable development, and we have identified six major stakeholder groups that could have or have had a significant impact on the Company’s businesses and operations. During the preparation of this report, we actively collected issues of concern to our stakeholders and incorporated them into our relevant decision-making processes.

We have been relentlessly pursuing the establishment of excellent communication bridges with our stakeholders. We understand and meet the needs and expectations of all parties in real time through a rich variety of communication channels and forms, including our WeChat Official Account, official website, supplier meetings, and communication with employees and customers. We actively listen to the core concerns of our stakeholders and continuously optimize our strategies and plans for sustainable development, with the aim of consolidating and deepening trust and cooperation with all parties, creating a better future together and realizing a brilliant chapter of win-win cooperation.

Stakeholders	Expectations and Demands	Communication and Response
Customers	<ul style="list-style-type: none"> Product quality Customers' rights and interests Information security Product innovation 	<ul style="list-style-type: none"> Improvement of service level and product quality Customer satisfaction surveys Enhancement of information security management technology Customer complaints and feedback
Employees	<ul style="list-style-type: none"> Protection of legitimate rights and interests Occupational training and development Humanistic care Diversity and inclusion Occupational health and safety 	<ul style="list-style-type: none"> Employees' Congress Professional skills training opportunities Internal communication platform Employee satisfaction surveys Visits and condolences
Supply chain partners	<ul style="list-style-type: none"> Integrity and cooperation Experience sharing Win-win cooperation Business ethics and reputation 	<ul style="list-style-type: none"> Surveys and visits Exchange and cooperation Social media Integrity in procurement
Shareholders and investors	<ul style="list-style-type: none"> Corporate governance R&D and innovation Information disclosure Business risks Protection of shareholders' rights and interests 	<ul style="list-style-type: none"> General Meeting of Shareholders Information Disclosure SSE E-Interactive Communication via telephone and email
Government/other regulatory	<ul style="list-style-type: none"> Lawful tax payment Anti-corruption Climate action Public welfare and charity 	<ul style="list-style-type: none"> Policy directives Communication through forums Routine communication and reporting Special research and on-site meetings
Communities	<ul style="list-style-type: none"> Social welfare Community development 	<ul style="list-style-type: none"> Charitable donations Visits and condolences

Analysis of Substantive Issues

We have comprehensively considered domestic and international ESG guidelines and social responsibility standards based on the realities of the Company, the expectations of internal and external stakeholders, and the global context of sustainable development. On this basis, we have thoroughly identified and assessed substantive issues that have a significant impact on the Company's sustainable development, and focused on disclosing relevant information to ensure transparency and integrity.



● Governance	● Environmental	● Social	
1 Tax Policies	7 Green Factory	14 R&D and Innovation	21 Intellectual Property Management
2 Information Disclosure	8 Energy Conservation and Emission Reduction	15 Employees' Rights	22 Employee Training and Support
3 Business ethics	9 Environmental Management System	16 Social Welfare	23 Diversity and Equal Opportunity
4 Compliance with Laws and Regulations	10 Recycling of Resources	17 Supply Chain Management	24 Guarantee of Collective Bargaining Rights
5 Corruption Prevention	11 Addressing Climate Change	18 Customer Health and Safety	
6 Financial Performance and Risk Analysis	12 Pollutant Emission Management	19 Product Quality and Safety	
	13 Assessment of Suppliers' Environmental Performance	20 Occupational Health and Safety	

Sustainable Development Goals (SDGs) of the United Nations

Henglin is committed to sustainable development. We actively respond to the United Nations' Sustainable Development Goals (SDGs) and engage in ESG practices, to realize sustainable development and contribute to building a better future.



2

Stewardship in the Home Furnishings Market: Upholding Lawful Operations and Integrity

Henglin is committed to actively fulfilling social responsibilities, upholding the principles of integrity, adhering to business ethics, establishing a sound internal control system, and promoting compliance operations to safeguard the steady development of the Company.

- ⦿ Scientific and Standardized Governance
- ⦿ Enhancement of Internal Control and Compliance
- ⦿ Optimization of Investor Relations Management
- ⦿ Upholding of Business Ethics

SDGs



Scientific and Standardized Governance

Improvement of Governance System

Stable and sustainable corporate governance is an important foundation for enterprises to realize long-term development. In strict compliance with the relevant requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the *Governance Code for Listed Companies* and other laws and regulations, Henglin has formulated and improved the *Articles of Association*, the *Rules of Procedure for the General Meeting of Shareholders* and other rules and regulations. The Company continuously improves the internal control system, strengthens institutional guarantee, and standardizes corporate operations.

Meanwhile, the Company has established a corporate governance structure with clear responsibilities and powers, and operates in strict accordance with the governance structure consisting of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the management, each of which assumes its own responsibilities, coordinates cooperations, and exercises effective checks and balances, jointly ensuring the scientific and normative governance and efficient operation of the Company.

Standardization of the Governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors

General Meeting of Shareholders

The Company standardizes the convening, holding and voting procedures of the General Meeting of Shareholders strictly pursuant to the *Company Law of the People's Republic of China*, the *Rules for General Meetings of Shareholders of Listed Companies*, the *Articles of Association* and the *Rules of Procedure for General Meetings of Shareholders*, and adopts a combination of on-site and online voting to facilitate the exercise of the rights by all shareholders. This effectively ensures that all shareholders, especially small and medium-sized shareholders, can enjoy and fully exercise their corresponding rights as shareholders.

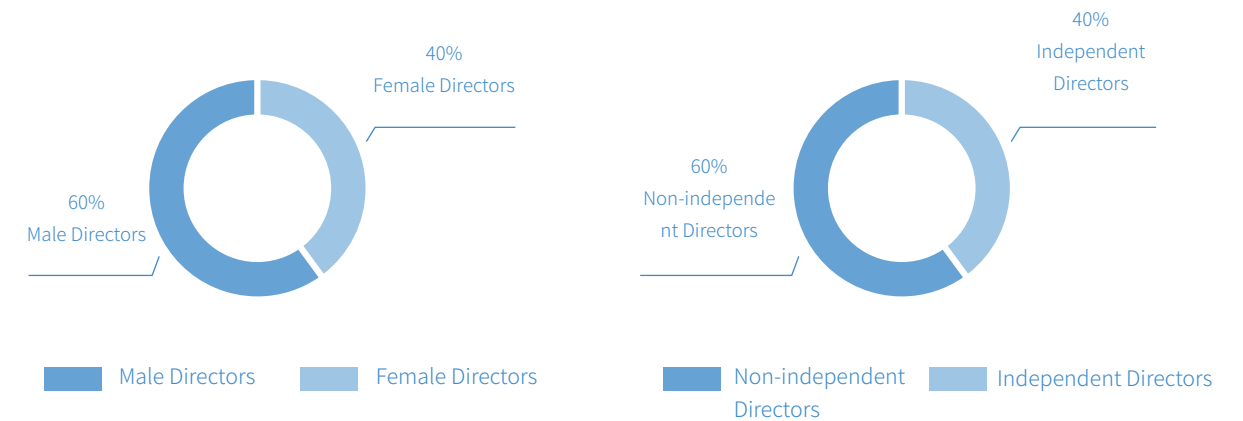
Key Performance

During the reporting period, the Company convened a total of **2** General Meetings of Shareholders, at which **12** proposals were deliberated and adopted.

Board of Directors

In accordance with the *Rules of Procedure of the Board of Directors*, the *Rules for the Implementation of Specialized Committees under the Board of Directors* and other relevant rules and regulations, the Company always standardizes the procedures for convening and holding the meetings of the Board of Directors, ensures its correct exercise of rights and fulfillment of corresponding obligations. The Board of Directors of the Company has four specialised committees: the Strategy Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Audit Committee, which jointly supervise and guide the decision-making of the Company and promote the standardised operation and scientific decision-making of the Board of Directors as a whole.

The Board of Directors of the Company consists of a total of 5 directors, including 2 female directors and 2 independent directors. Their independent and impartial opinions can further enhance the scientific and rational decision-making of the Board of Directors. At the same time, in line with the policy of diversification, the professional backgrounds of directors cover multiple fields such as home furnishing business management, supply chain integration, lean manufacturing, financial management, and mechanical automation, which are highly compatible with the Company's development needs. They can fully leverage their respective professional expertise to make cautious decisions and safeguard the interests of the Company and our shareholders.



Key Performance

During the Reporting Period, the Board of Directors convened a total of **8** meetings, and deliberated and adopted **28** proposals.

Board of Supervisors

The Board of Supervisors of the Company comprises a total of 3 Supervisors, including 1 worker representative supervisor. The number and composition of the Board of Supervisors comply with legal requirements. In accordance with the *Articles of Association*, the *Rules of Procedure of the Board of Supervisors* and other systems, supervisors actively fulfill their responsibilities, and effectively supervise significant matters and financial status of the Company, and the legality and compliance of directors and senior management's performance, to protect the interests of the Company and our shareholders.

Key Performance

During the Reporting Period, the Board of Supervisors convened a total of **6** meetings, and deliberated and adopted **16** proposals.

Enhancement of Internal Control and Compliance

Development of Internal Control System

The Company has constructed and continuously improved a comprehensive, strict and effective internal control and risk control system in strict accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Governance Code for Listed Companies*, the *Basic Norms for Enterprise Internal Control* and other relevant laws, regulations and standardized documents. The system covers all operational aspects of the Company, from strategic planning to daily operations, and comprehensively improves the Company's management level and risk prevention capabilities.

Enhancing Risk Management

- Improve the risk assessment system, continuously monitor the operational risks, financial risks, market risks, policy and regulatory risks, and moral risks, to timely identify and assess the various risks faced by the Company and take necessary control measures;
- Formulate policies for the management of internal and external information to ensure that departments at all levels are informed of the Company's operation and risk status in a timely manner, and that all types of risk hazards and internal control deficiencies are properly dealt with.

Strengthening the Foundation of Internal Control

- Focus on key control activities such as finance and related transactions, establish and continuously improve internal control systems such as *Financial Management System*, *Related Transaction Decision-making System*, etc.
- Improve the control structure and related procedures, and establish corresponding authorization, inspection and accountability systems at each level, as well as checks and balances and supervision mechanisms between departments and positions.

Conducting Supervision and Audit

- Formulate internal control and self-inspection systems and annual internal control and self-inspection plans based on realities;
- Arrange the Internal Audit Department and the Finance Department to conduct internal audits and other supervisory work, to achieve full coverage of process audits for each subsidiary and business unit, to comprehensively review the Company's internal control deficiencies, to evaluate the effectiveness and efficiency of implementation, and to issue reports on remedial proposals to ensure the improvement of internal control processes.

Key Performance

During the Reporting Period, the Company evaluated the effectiveness of internal control and engaged a third-party organization to issue an independent audit report, and no significant risks and deficiencies in internal control were found.

Prevention and Control of Tax Risks

To prudently prevent and control tax risks, fulfill tax obligations in accordance with the law, and avoid legal sanctions, financial losses, or reputational damage resulting from non-compliance with tax laws, the Company has established a comprehensive tax risk management system based on realities and in accordance with internal risk control documents such as the *Guidelines on Tax Risk Management of Large Enterprises (for Trial Implementation)*, *Guidelines on the Application of Internal Control for Enterprises*, and *Guidelines for Evaluation of Internal Control of Enterprises*.

Establishing Tax Management Structure

The Company divides the tax risk management structure into three main levels to enable orderly tax risk management around the tax management objectives: the Board of Directors (which provides guidance and authorization), the Tax Director (who is responsible for tax management, including the formulation of tax strategies and overall tax plans), and tax-related departments (which are responsible for specific implementation).

Building Tax Management Mechanisms

Based on systems such as the *Tax Management System* and the *Guidelines on Tax Risk Control*, the Company has formed a whole-process tax risk management mechanism for tax risk identification, assessment, response, communication and assessment, to promptly follow up on and prevent tax risks and jointly implement corrective actions with various departments.

Strengthening Information System Construction

Through the construction of information systems such as Kingdee EAS and OA systems, the Company ensures the efficient and standardized flow of information and actively explores new methods and mechanisms for information-based tax risk control, promoting comprehensive information control from the business side to the financial side and achieving a high level of controllability of tax risks.

Case

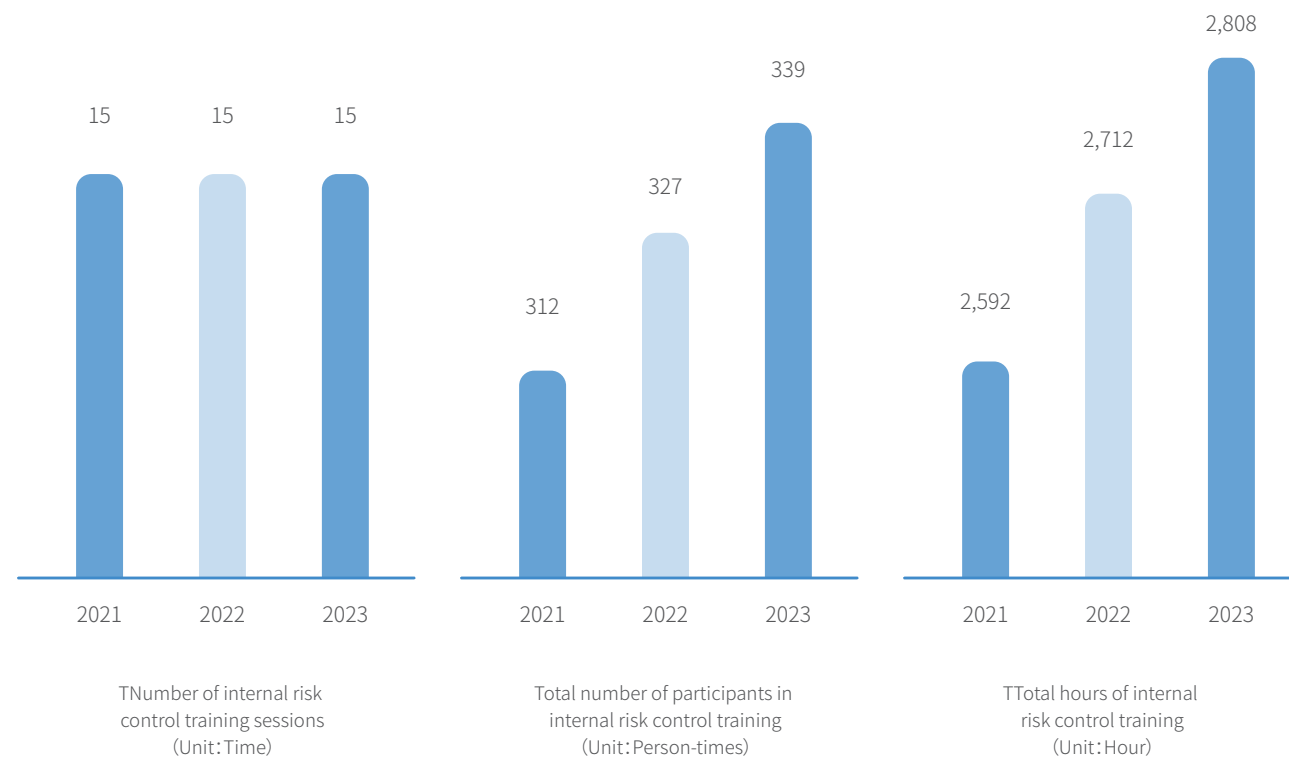
Joint Establishment of “Cordial and Clean” Relationship between a Tax Bureau and the Company

During the Reporting Period, Henglin conducted tax learning activities in conjunction with the Anji Taxation Bureau. In the principles of cordial communication and clean operation, the Company actively engaged in the joint establishment of a “cordial and clean” relationship with the tax bureau to share tax management experience and learn tax law knowledge. Through mutual theoretical learning, experience sharing and field visits, we learn from each other, achieve mutual benefits, create win-win results and build a new type of tax-enterprise relationship together.



Establishment of a Culture of Internal Control

To promote risk awareness within the Company, cultivate a strong corporate spirit and internal control culture, and create an environment where all employees fully understand and fulfill their responsibilities, the Company actively conducts internal control publicity and training activities covering finance, audit, risk management, and other areas for employees. This further strengthens the overall risk control awareness and professionalism of all employees.



Internal Control Training Activities

Optimization of Investor Relations Management

Compliance Information Disclosure

In accordance with the *Administrative Measures for Information Disclosure of Listed Companies*, *Shanghai Stock Exchange Guidelines for Self-Regulation of Listed Companies No. 2 – Administration of Information Disclosure Affairs* and relevant provisions of the *Articles of Association of the Company*, the Company has formulated and strictly enforced the *Management System for Information Disclosure* and other relevant systems. This establishes standards and norms for reporting and transmitting the Company’s information, prevents major event disclosure omissions, and further enhances the quality of information disclosure.

The Company always adheres to the principles of openness, fairness, and impartiality. Through disclosure channels such as the *China Securities Journal*, *Securities Times*, *Shanghai Securities Journal*, and the website of Shanghai Stock Exchange, the Company discloses information truthfully, accurately, completely, and promptly, ensuring that all investors have equal opportunities to timely access relevant information about the Company. During the Reporting Period, the Company disclosed a total of 95 information documents including regular and interim reports (including legal opinions and other relevant intermediary reports), which effectively disclosed various matters such as the Company’s operation and foreign acquisitions.

Key Performance

From 2022 to 2023, the Company was awarded the highest rating of “A” by the Shanghai Stock Exchange for excellent information disclosure.

Enhanced Communication for Investors Relations Management

The Company attaches great importance to investor relations management, strictly follows the *Guidelines on Investor Relations Management of Listed Companies* and formulates and implements the *Investor Relations Management System*. Employing a strategy of multi-channel, multi-angle, and multi-level communication, the Company actively enhances investors' comprehensive understanding of the Company through a combination of online and offline methods. This promotes a healthy relationship between the Company and investors, and continues to receive wide recognition and support from the market.



Email for Investors: hlgf@zjhenglin.com

Honors

Outstanding Board of Directors of the 18th Golden Round Table Award for Boards of Directors of Listed Companies in China

Outstanding Practice in 2022 Annual Report Performance Briefing by Listed Companies

During the Reporting Period, the Company continued to engage in two-way communication with investors to further convey the intrinsic value of the Company. The Company also actively explored and innovated communication methods. In the 2022 annual performance briefing, the Company adopted "Live streaming and online interaction" to further strengthen interaction and communication with investors. Two large-scale offline investor exchange meetings were held, where the management team interacted with investors face-to-face. Investors were given the opportunity to see production processes and products to gain a more comprehensive understanding of the Company.



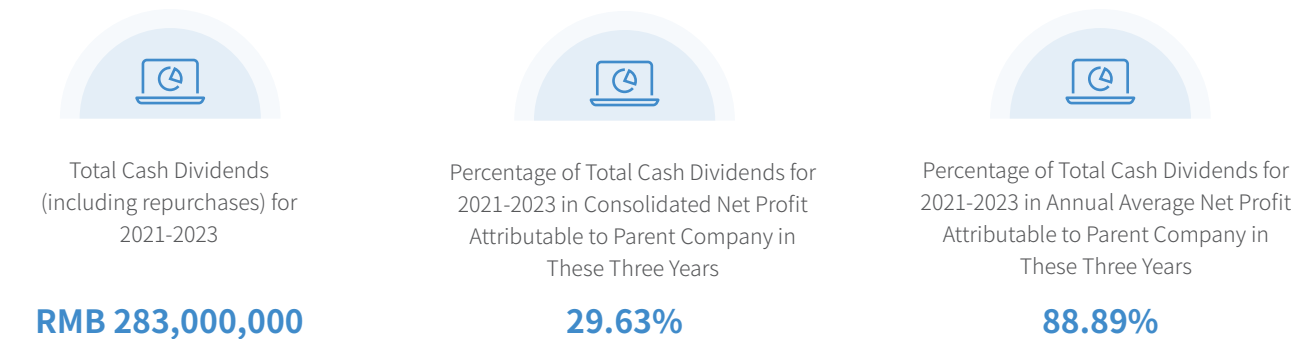
Communications with Investors

Key Performance

The Company held **3** regular performance exchange meetings, organized **2** large-scale offline investor exchange meetings, answered and replied to investor calls **over a hundred** times, and provided answers to investor-related questions on the SSE E-Interactive Platform for many times.

Protection of Shareholders' Rights and Interests

While focusing on achieving development, the Company also attaches great importance to the rights and interests of shareholders, especially small and medium-sized shareholders, continuously rewards vast investors and shares the fruits of development. Since its listing, the Company, in active response to cash dividend guidelines, has formulated the *Three-Year (2020-2022) Shareholder Return Plan* and the *Three-Year (2023-2025) Shareholder Return Plan*, and established a continuous, stable, and effective return mechanism for investors without affecting the sustainable operating capabilities and long-term development of the Company. This aims to achieve a “win-win” result to protect the interests of both investors and the Company. As of the disclosure date of this report, the Company has cumulatively distributed RMB 478,000,000 of dividends since its listing.



Upholding of Business Ethics

In strict compliance with the requirements of the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China* and other laws and regulations, the Company opposes any form of corruption, bribery, monopolization and unfair competition, and actively advocates the business culture of lawful operation, procedural compliance, professional conduct, integrity, and honesty. In order to better protect the interests of the Company and partners, strengthen the disciplinary constraints on business activities and regulate the behavior of personnel, the Company continues to strengthen the prevention of business ethics risks, and promote the creation of a clean and honest operation environment and cooperative relationship.

Enhanced Construction of Clean Government

Henglin continues to deepen the construction of a clean government and resolutely fulfill relevant responsibilities. We actively participate in municipal thematic meetings on clean government, and strengthen exchanges and cooperation with colleagues in the industry. At the same time, we organize cadres to visit the Clean Government Education Center, strengthen clean government awareness through real cases, and require all employees to sign the *Commitment to Integrity*. In addition, Henglin uses diversified channels to promote positive examples and create an atmosphere of integrity and honesty in the Company. The Massage Chair Department innovatively conducts activities to improve conducts and enforce disciplines, integrating the construction of clean government into daily management.

The Company continues to improve more than 10 systems such as the *Economic Audit and Supervision* and the *Eight Requirements for Integrity and Discipline* to standardize information disclosure. We have issued the *Notice on Strengthening Integrity and Self-Regulation Requirements for New Year's Day and Spring Festival*, and installed 15 suggestion boxes to facilitate the Audit Department in strengthening the audit and supervision of procurement, bidding, job rotation, and other aspects, rigorously identifying any violation of business ethics.



Clean Government Education Classroom



Visit to Anji Clean Government Education Center

Clean Governance Mechanism

The Company has established a dedicated channel for reporting integrity issues, which can be accessed through mail, phone, email, and in-person visits. We encourage employees, external stakeholders, and others with pertinent information to participate in the clean governance of the Company. We strictly keep confidential whistleblowers' information, closely liaise with them through secure means, promptly assess their situation, and provide assistance when needed.

- Report Mailbox: The Company has set up report mailboxes in the factory area for employees to submit report letters.
- Hotline: 18057268801
- Report Mailbox: tsjy@henglin.com

Construction of a Culture of Integrity

In order to effectively enhance the awareness of business ethics among all employees, the Company continuously strengthens integrity training and anti-corruption publicity on topics related to anti-corruption and anti-bribery, and regularly offers integrity training to promote publicity through case studies and foster an internal environment of fairness and justice. The Company also pays simultaneous attention to business integrity in the process of cooperation with all relevant parties, organizes employees and partners to sign the *Commitment to Integrity*, and sends the *Letter of Integrity to All Suppliers* by email at the end of each year, clearly specifying the requirements for the integrity and honesty of both parties under common supervision. The Company always seriously deals with violators in accordance with the relevant regulations.

Key Performance

During the Reporting Period, 100% of employees and partners of the Company signed the *Commitment to Integrity*. We have always adhered to the principle of honesty and integrity, and promptly safeguarded the interests of the Company and related parties, demonstrating a high degree of professional ethics and social responsibility.

3

Leadership in Low-Carbon Development Trend: Guarding the Greenness of the World.

Henglin adheres to the philosophy of green ecology, complies with laws and regulations concerning environmental protection, and actively responds to national policies. We improve the environmental management system, clarify responsibilities, establish an emergency mechanism, and promote the standardization, normalization, and effectiveness of environmental governance, striving to realize the vision of “becoming a first-class home furnishings enterprise”.

- ⦿ Addressing Climate Change
- ⦿ Enhancement of Environmental Governance
- ⦿ Optimization of Resource Allocation
- ⦿ Strict Control of Pollutant Emissions

SDGs



Addressing Climate Change

Henglin deeply recognizes the importance of climate change to the operation and long-term development of all enterprises. In the face of the challenges posed by global climate change, the Company actively responds to them and takes a number of measures to mitigate the risks posed by climate change. The Company is committed to reducing carbon emissions, promoting green production, striving to achieve carbon neutrality goals, while enhancing resource recycling, improving energy utilization efficiency, and reducing negative impacts on the environment. Henglin always adheres to corporate social responsibility and contributes to the fight against climate change and the realization of sustainable development.

Henglin has established a comprehensive environmental protection management system and process, continuously optimized the environmental management system, strengthened environmental monitoring and assessment, and ensured that the enterprise's production and operation activities are carried out under the requirements of environmental protection laws and regulations. Meanwhile, Henglin actively promotes the green transformation, strengthens the publicity and training of environmental protection awareness, establishes a green culture, and promotes the employees to actively participate in the environmental protection cause.

Henglin has formulated emergency plans to assess and mitigate potential impacts, ensuring smooth production and operations. Furthermore, Henglin has strengthened monitoring and early warning of climate change risks, and taken timely measures to reduce risks.



Greenhouse Gas Emission Reduction

28,429.06
tCO₂e

Note: The statistical data scope covers Henglin and its subsidiaries. The greenhouse gas emissions are calculated by reference to: *Guidelines of Greenhouse Gas Emissions Accounting and Reporting for Other Industrial Enterprises (for Trial Implementation)*; and the greenhouse gas emission reduction is calculated by reference to: *2023 Annual Development Report of China's Electric Power Industry*.

Enhancement of Environmental Governance

Henglin adheres to the philosophy of green ecology, complies with laws and regulations concerning environmental protection, and actively responds to national policies. We improve the environmental management system, clarify responsibilities among departments, establish an environmental emergency mechanism, and promote the standardization, normalization, and effectiveness of environmental governance, striving to realize the vision of "becoming a first-class home furnishings enterprise" as soon as possible.

Environmental Management System

Henglin actively responds to national policies and strictly complies with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Cleaner Production Promotion Law of the People's Republic of China*, and the *Energy Conservation Law of the People's Republic of China*. We formulate relevant environmental protection systems such as the *Environmental Protection Management System*, establish a sound environmental management system, and develop appropriate measures to control environmental issues arising from production processes.

The Company has established an Environmental Protection Committee and an EHS Regulatory Department, staffed with environmental coordinators. They are responsible for guiding, inspecting, and supervising the environmental management work of subsidiaries to fully implement the environmental responsibility system. The subsidiary companies have established environmental protection working groups, which are responsible for implementing the environmental protection work of the superiors, and are also responsible for the management, supervision and testing of the work.

During the Reporting Period, the Company has not been investigated by the environmental protection authorities for environmental violations, without any administrative penalty or criminal punishment imposed or any environmental issues detected.

Key Performance

Environmental Incidents and violations 0

Note: The statistical data scope covers Henglin and its subsidiaries.

During the Reporting Period, the Company actively pursued environmental management system certification. Both the Company and subsidiaries obtained GB/T 24001-2016, ISO 9001:2015, and ISO 14001:2015 certifications, casting a green development engine with a sound environmental management system.



◎ Henglin

◎ Hengyou Technology

◎ LO



◎ Huzhou Hengxin

◎ Ruide Sponge

◎ Chuboshi

Prevention and Control of Environmental Risks

Based on the *Management Procedures for Identification and Evaluation of Environmental Factors*, Henglin identifies and analyzes environmental factors, and effectively identifying the hazards in the production process. Relevant departments summarize and report those environmental factors and hazard sources, and make timely rectifications according to them. The Company regularly commissions third-party organizations to conduct environmental impact assessments on the production process and files relevant records with the environmental protection authorities to reduce the likelihood of adverse impacts and environmental accidents.

To address sudden environmental emergencies in environmental management, the Company continuously improves environmental emergency management system. In accordance with the *National Environmental Emergency Response Plan*, the Company has formulated the *Environmental Emergency Response Plan* and defined the responsibilities of relevant departments to ensure timely response to emergencies and minimize losses caused by the accidents. During the Reporting Period, the Company conducted environmental emergency drills on a regular basis to improve the response capability and execution ability of relevant personnel to deal with environmental emergencies.

Case

Emergency Personnel Using Sand to Deal With Residual Chemical Liquid

During the Reporting Period, the Company conducted emergency drills for chemical leakage accidents in production workshops such as spraying workshops and chemical warehouses to improve employees' ability to deal with emergency situations involving leakage of hazardous chemicals.



Promotion of Green Manufacturing

Henglin consistently upholds the philosophy of environmental protection and integrates it into the operations, production, and product design processes. This aims to build a lifecycle green factory, realize the greening and ecologicalization of products, contribute to achieving the carbon peaking and carbon neutrality goals in the manufacturing sector, and promote the green, low-carbon, and high-quality development of the Company.

Green Factory: Henglin was honored as “National Green Factory”

The Company aims to continuously improve the green manufacturing system and strengthen the green manufacturing benchmarks. In 2023, through self-assessment, third-party evaluation, and recommendations by industrial and information technology authorities, Henglin stood out among many participating companies and was selected as a 2023 National Green Factory for outstanding infrastructure construction, efficient management system, reasonable energy input, and environmentally friendly performance.



Green Production: Optimization and Upgrading of Processes and Technologies

The Company promotes resource recycling and waste reduction and recycling by optimizing manufacturing processes and upgrading equipment systems. Heat recovery is achieved in air compressors, where a heat exchange device is added to the heat pumps of the air compressor to recover and utilize most of the heat emitted into the air and improve the efficiency of the air compressor. The injection molding production line adopts a centralized feeding mode, reducing the number of individual machines and saving 109,000 kWh of electricity.



Green Design: Henglin Won Design Awards.

As a leader in the industry, Henglin is always consumer-oriented, and committed to creating a healthier and more environmentally friendly home life. Through continuous innovation and transformation, the Company launches green products with higher quality and comfort by deeply researching the characteristics of new materials. Moore chairs independently designed by the Company have been awarded the IF Design Award and the Red Dot Award. They have also obtained the GREENGUARD certification from the United States, which ensures that such chairs are made from 100% recyclable green and environmentally friendly materials.



Advocacy of Green Philosophy

Henglin always adheres to the philosophy of green environmental protection and actively promotes and practices a low-carbon lifestyle. To deeply promote the popularization and implementation of green philosophy, the Company conducts environmental protection publicity activities and regularly organizes tree planting activities. Meanwhile, the Company encourages employees to participate in green office practices, and establish a green and low-carbon image by saving electricity, classifying garbage, and reducing the use of paper.



Environmental Protection Publicity and Garbage Classification



Tree Planting Activities for “Protecting Lucid Waters and Lush Mountains and Practicing Green Development”

Key Performance

Number of Environmental Training Sessions:

53

Number of Participants in Environmental Training:

2,982

Total Hours of Environmental Training:

479 hours

Added Greening Area:

10,000m²

Note: The statistical data scope covers Henglin and its subsidiaries.

Optimization of Resource Allocation

Energy Management System

With the introduction of the “carbon peaking and carbon neutrality” goals, Henglin understands the importance of optimizing resource allocation. We actively act on the national call, improve the energy management system, and optimize the energy structure, to achieve green and low-carbon development.

In strict compliance with the *Energy Conservation Law of the People's Republic of China*, the *Renewable Energy Law of the People's Republic of China* and other laws and regulations, and based on the *Energy Management System - Requirements with Guidance for Use* and the *Guidelines for Implementation of Energy Management System*, the Company has formulated the *Energy Management System*. We divide the functional departments, appoint dedicated energy management personnel, and has established a normalized work mechanism to ensure the effective implementation of energy management.

Organizational Structure: Three-level Management System

Organization	Composition	Function
Energy Management Leading Group	Deputy General Manager in Charge of Production and Operations (serving as the Group Leader), and the Production Manager (serving as the Deputy Group Leader)	Making decisions on energy management
Energy Management Team	Relevant HOD	Conducting energy management work
Safety and Energy Department	Technicians and administrators	Handling and coordinating daily affairs

Objectives and Policies

The Company has formulated the following energy management principles to thoroughly implement the scientific outlook on development, implement the basic national policy of conserving resources, further strengthen energy conservation efforts, accelerate the construction of a resource-saving society, promote economic and social development, reduce energy consumption, improve efficiency, and implement energy conservation.

- I. Leading Energy Conservation with the Scientific Outlook on Development
- II. Effectively Strengthening the Organization and Leadership in the Field of Energy Conservation
- III. Fully Understanding the Importance and Urgency of Strengthening Energy Conservation Efforts
- IV. Prioritizing Energy Conservation as an Important Current Task
- V. Vigorously Promoting Technological Advancements in Energy Conservation
- VI. Enhancing the Construction of Energy Management Teams and Basic Work



◎ Hengyi Furniture ◎ Huzhou Hengxin ◎ Hengyou Technology

During the Reporting Period, subsidiaries of the Company such as Hengyi Furniture, Huzhou Hengxin and Hengyou Technology obtained ISO 50001:2018 (Environmental Management System) certification.

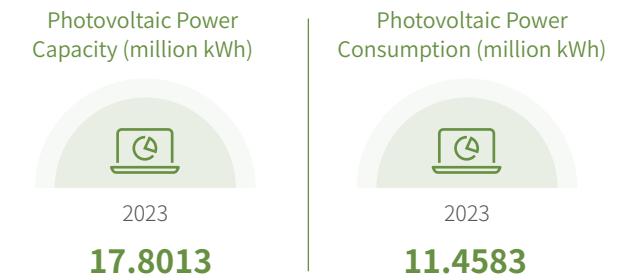
Optimization of Energy Structure

In an era pursuing green and low-carbon development and to meet the requirements of national policies, enterprises need to transition from traditional resource-consumption modes to sustainable development modes that are green and low-carbon, achieving optimization of the energy structure. Henglin is committed to energy optimization, attaches great importance to the use of clean energy and the implementation of energy conservation and emission reduction measures, improves energy utilization efficiency, reduces energy consumption costs, minimizes the impact on the environment, and contributes to the achievement of the “carbon peaking and carbon neutrality” goals.

Use of Clean Energy

Henglin prioritizes the use of clean energy in the daily operations and production. The Company has cooperated with multiple professional technical enterprises to carry out photovoltaic power generation projects, and actively promotes the construction of distributed photovoltaic power generation in factory areas. Since 2015 to date, the Company’s photovoltaic power generation area has reached 120,000 m², with an annual power generation capacity of over 11 million kWh, reducing standard coal by over 5,300 tons per year and carbon dioxide emissions by over 14,000 tons per year.

During the Reporting Period, the PV power generation and electricity consumption of Henglin and its subsidiaries are shown in the table on the right.



◎ Note: The statistical data scope covers Henglin and its subsidiaries.



◎ Photovoltaic Power Generation

Green electricity trading provides clean energy, helping to reduce the use of high-carbon emission energy sources and lower carbon emissions during the production process. The Company actively promotes green electricity trading, shifting energy use from traditional coal power to low-carbon green electricity, thereby optimizing the energy usage structure. During the Reporting Period, the subsidiaries of the Company such as Guande Henglin, Anhui Xinnuo, Hengyou Technology, Huzhou Hengxin, and Vietnam Henglin, have all purchased green certificates.



◎ Guande Henglin ◎ Anhui Euroline ◎ Hengyou Technology ◎ Huzhou Hengxin ◎ Vietnam Henglin

Implementation of Energy Conservation and Emission Reduction

Continuing to promote electrification replacements and driving technological upgrades for energy conservation and emission reduction is a key strategy for the Company to achieve energy transformation, environmental protection, and sustainable development, as well as an important step towards building a green and low-carbon society.


During the Reporting Period, Huzhou Hengxin completed the electric vehicle replacement and technology improvement project.

Case

Replacement of Diesel Forklifts with Electric Forklifts

Before: The diesel forklifts in the production workshop consumed approximately 6,500 liters of diesel fuel per year.

After: The use of diesel forklifts was eliminated, and multiple pure electric forklifts were introduced to replace the original diesel forklifts.




The diesel fuel consumption was reduced by **6,500** liters.

Improvement of Curing and Drying Temperature of Spraying Lines

Before: The drying temperature for moisture drying was 200-220 °C, and the curing drying temperature was 195 °C.

After: The Company replaced the sensors of moisture drying equipment and calibrated temperature displays. The drying temperatures for different components were identified, and the temperature of moisture drying was reduced to 170-190 °C. The low-temperature plastic powder was put into the curing and drying equipment to reduce the curing point of the plastic powder, so that the curing and drying temperature was reduced to about 175 °C, thus reducing the consumption of natural gas.



The natural gas consumption was reduced by **23,200** m³.

Water Resource Management

Henglin attaches great importance to the utilization and protection of water resources, advocating the philosophy of harmonious coexistence between people and water resources. The Company complies with relevant laws and regulations such as the *Water Law of the People's Republic of China* and actively provides training on water conservation in accordance with relevant regulations on water resources management. This aims to enhance the water-saving awareness of all employees and increase the recycling rate of water resources.

- ⦿
 Water flow is controlled to ensure that water is turned off when not in use for places where continuous water supply is not necessary.
- ⦿
 The management principle of supplying water on demand is adopted to prevent the waste of water resources in places where water consumption is large, such as equipment flushing sites and debugging processes.
- ⦿
 Training for water users and related management personnel is strengthened, and all water equipment and pipes are regularly inspected to promptly address any leaks.

⦿
Key Performance

Total Water Consumption (tons)

497,377.00

⦿ Note: The statistical data scope covers Henglin and its subsidiaries.

Optimization of Material Management

The Company actively promotes the use of recycled and environmentally friendly materials and continuously expands their proportion of usage. Among all materials used, the proportion of recycled materials reaches over 75%, and the usage rate of green materials reaches 100%. In the design stage, while ensuring sufficient strength and safety of products, we make efforts to minimize material usage through lightweight and minimalistic designs, further reducing carbon emissions from products.

- Recycling: Scrap materials and defective products generated in the injection molding workshop are crushed and added back into the raw materials in appropriate proportions for reuse, to reduce the usage of raw materials.
- Emission Reduction: Ordinary carbon steels are replaced with low-emission steels to reduce carbon emissions.
- De-plasticized Packaging Design: De-plasticized packaging modes are selected in the pre-packaging design to reduce the use of non-renewable resources.

Key Performance

Paper Packaging Materials (tons)	Plastic Packaging Materials (tons)	Total Quantity of Packaging Materials Recycled (tons)
892.81	104.28	450

⦿ Note: The statistical data scope covers Henglin and its subsidiaries.



Case

Key Performance

Project Overview

Key Indicators

Carton packaging for raw materials was decreased, reducing waste by 2,150 kg per year.

Before: Each roll of wrapping film used in the packaging workshop was individually packaged in paper boxes, resulting in 1,600 kg of waste paper boxes per year.

After: Paper box packaging of wrapping film is eliminated, fixing the whole pallet with stretch film.

Waste reduction: 2,150 kg, with a 2.6% increase in recyclable proportion.

Improvement in Layout of Seating Products

Before: The layout length of 10 sets was 7.297 meters.

After: The layout length of 10 sets is 7.123 meters.

The layout was optimized to reduce costs and solid waste.

110 kg of solid waste was eliminated per year by minimizing raw material trimmings.

Before: Barrier cotton, resin cotton, EPE, and others used in production were purchased in rolls and cut in the cutting workshop.

After: Barrier cotton, resin cotton, EPE, and others are cut by the suppliers and put into the warehouse, eliminating waste material generation.

Waste reduction: 110 kg, with a 0.04% increase in recyclable proportion.

Carton packaging for raw materials was decreased, reducing waste by 950 kg per year.

Before: Each roll of wrapping film used in the packaging workshop was individually packaged in paper boxes, resulting in 1,500 kg of waste paper boxes per year.

After: Cancel the carton packaging and fix the whole pallet with wrapping film.

Waste reduction: 950 kg, with a 0.36% increase in recyclable proportion.

Strict Control of Pollutant Emissions

Pollutant Emission Management

The Company is committed to realizing the vision of “becoming a first-class home furnishing enterprise” and adheres to a strategy of sustainable and high-quality development. We pledge to minimize the environmental impact during the production process, and strictly comply with the *Environmental Protection Law of the People’s Republic of China*, the *Law of the People’s Republic of China on the Prevention and Control of Water Pollution*, as well as local environmental laws, regulations, and standards. The Company has formulated relevant management systems such as the *Environmental Protection Management System* and the *Procedures for Control of Waste Gas, Waste Water and Noises* and works with subsidiaries to take measures to monitor and control waste water, waste gas, and noise.

Every year, the Company commissions third-party organizations to conduct on-site sampling and testing of the waste water, waste gas, and noise generated in the production area. During the Reporting Period, the waste water, waste gas, and noise generated during the production process strictly complied with national and local emission standards.

Key Performance		
Compliance Rate Observed in Pollutant Monitoring	Synchronized Operation Rate of Environmental Facilities	Compliance Rate of “Three Simultaneities” in Environmental Protection for Construction Projects
100%	100%	100%

⊙ Note: The statistical data scope covers Henglin and its subsidiaries.

Waste water Management

The water consumed by the Company comes from the municipal water supply, which is not used as the main water resource consumed in the production process. The main source of waste water is domestic sewage. To ensure compliance with waste water discharge standards, the Company has mandated strict implementation of waste water treatment by all departments.

- Waste water from the canteen is pretreated in grease traps before being sent through sewage pipes to the municipal sewage network for centralized treatment and discharge.
- Toilet waste water undergoes anaerobic treatment in septic tanks before being sent through sewage pipes to the municipal sewage network for centralized treatment and discharge.

Waste Gas Management


The main sources of waste gas generated during the production process are process waste gas and domestic waste gas. The Company follows laws and regulations such as the *Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution* and formulates effective management measures and methods to prevent and control atmospheric pollution based on production conditions, reducing pollution to the atmospheric environment.


- Dust generated during the production process is purified using centralized dust removal devices, and the waste gas is discharged into the atmosphere through exhaust pipes with a height not lower than 15 meters.
- Kitchen fumes must be purified by “kitchen fume purification devices” before being discharged.
- Company vehicles should use high-quality diesel and unleaded gasoline to reduce exhaust emissions and lower the content of harmful pollutants.





Noise Control

Noise generated during the production process comes from the operation of production equipment. According to regulations from the local environmental protection authorities, the Company controls the emission of noise as per the Class III standard for boundary noise emissions stated in *GB12348-2008 Emission Standard for Industrial Enterprise Noise at Boundary*.

- 

The main sources of noise in the Company are production equipment. The Manufacturing Department is responsible for equipment maintenance, inspection, and addition of lubricating oil, and improves equipment maintenance work to reduce operational noise.
- 

When purchasing equipment, especially those with high noise levels, the Company tries to choose equipment with lower single-machine noise values under similar performance conditions, thereby reducing equipment noise.
- 

When installing machinery and equipment, the Company tries to install the noisy equipment in the soundproof and closed workshop to reduce the noise leakage, and arranges it in the center of the plant to avoid high noise affecting the surrounding environment.
- 

According to the characteristics of equipment with high noise levels, appropriate mufflers, shock absorbers and similar devices are installed.

Waste Emission Management

Henglin recognizes the importance of waste management for environmental protection. The Company strictly abides by the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, Regulations on the Prevention and Control of Environment Pollution Caused by Solid Wastes and other relevant laws and regulations. We have formulated the Industrial Solid Waste Management System of Henglin to strengthen the management of industrial solid wastes and ensure that solid wastes generated in the course of production and operation are properly handled to minimize the impact on the ecological environment.

General waste

The Company has established a solid waste classification center in production workshops, where various types of solid waste are placed in designated locations. Workshop supervisors are responsible for managing waste classification, storage, and transportation to ensure that solid waste is properly classified, recycled, and treated. The Company regularly offers training for employees on the safe handling of waste to raise their awareness of the importance of solid waste management.

Hazardous waste

The Company formulates and implements the Hazardous Waste Management Plan System in light of production and operation realities, and signs the *Solid Waste Disposal and Utilization Service Entrustment Agreement* with organizations that have corresponding business licenses or qualifications for treating hazardous solid wastes and entrust such organizations to treat hazardous wastes generated from the production process, such as hazardous waste packaging materials, oil filter elements and spent activated carbon, and to dispose of hazardous wastes generated from the industrial production sites in a harmless and reduced manner. Additionally, the Company actively explores waste recycling and reuse to achieve the goals of resource conservation and environmental protection.



4

Commitment to Excellence in Quality: Winning Reputation with Superior Service

Henglin continuously pursues excellent quality, relentlessly innovates, and expands the field of comfortable home furnishings. Upholding a service philosophy of “professionalism, enthusiasm, thoroughness, and timeliness”. We continually refine our service management systems, comprehensively safeguard the rights and interests of customers and consistently enhance customer satisfaction.

- ⊙ Driving Innovative R&D
- ⊙ Building Chains of Responsibility
- ⊙ Strengthening Quality Control
- ⊙ Offering Outstanding Quality and Service
- ⊙ Properly Protecting Information Security

SDGs



Driving Innovative R&D

Henglin is committed to R&D, continuously enhancing its R&D system, exploring unique design styles, and integrating professional aesthetic design into practical spaces. This innovative aesthetic perspective expands the domain of comfortable home furnishings and propels the industry forward to a new stage.

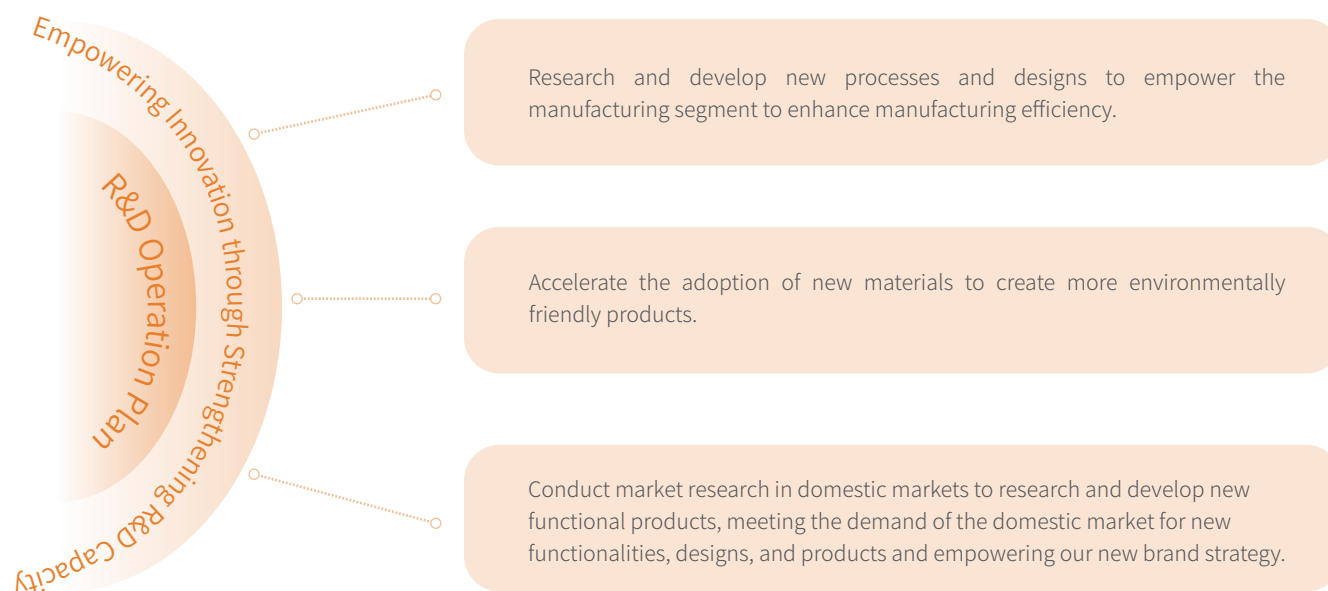
Development of the R&D System

R&D System Guidelines

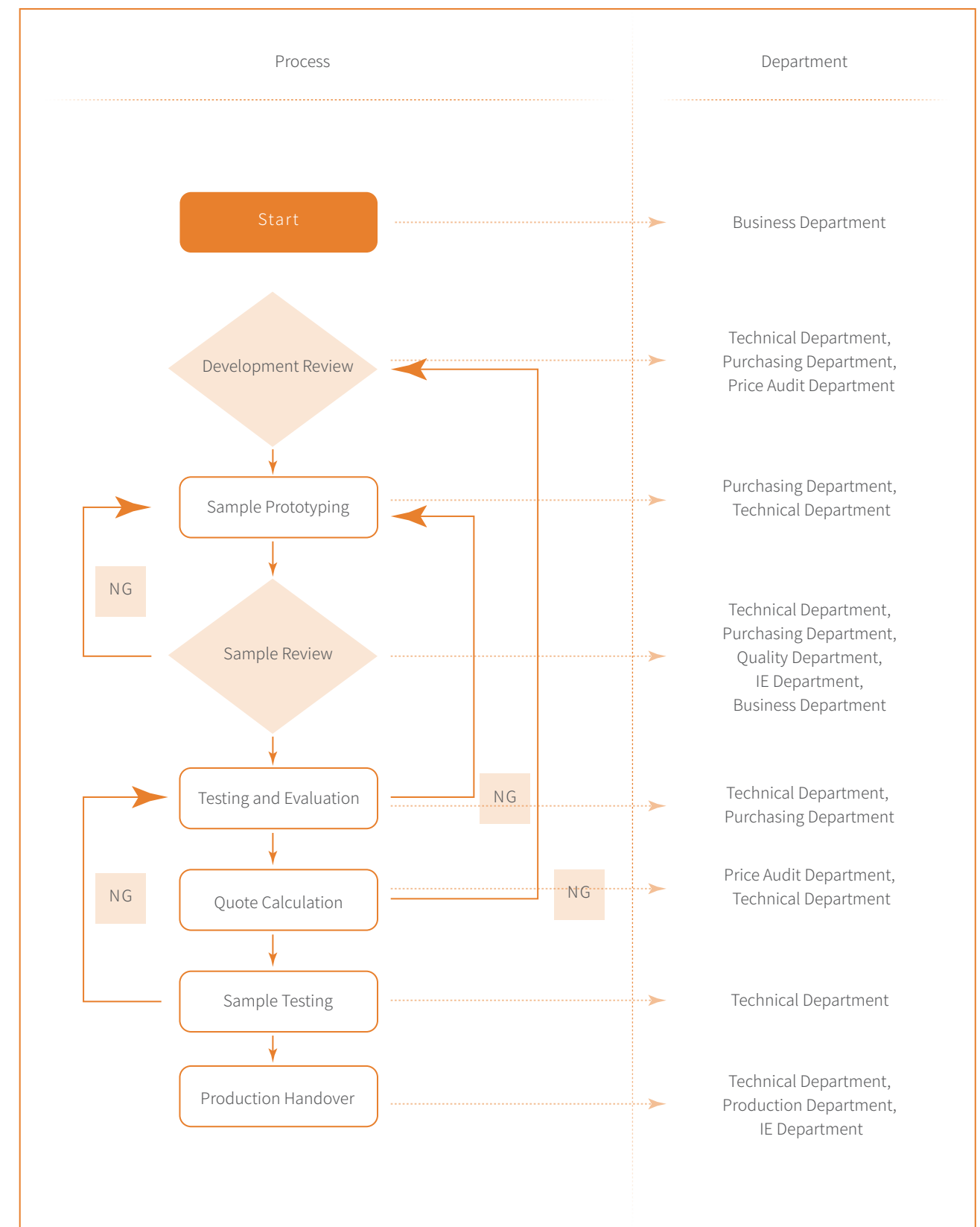
Guided by forward-thinking strategic thinking, Henglin meticulously orchestrates R&D operational plans to ensure its R&D activities are closely aligned with overall strategy. Our Research Institute is responsible for new product research, project initiation, design, and trial production, coordinating with all departments to support comprehensive development. We have established guidelines such as the *Corporate Research Institute Management Charter and R&D Project Initiation Management Procedures*. These guidelines define the lifecycle of new projects, covering new product research, product design, new product trial production, new product evaluation, and production launch, ensuring R&D operations are rule-based and substantially enhancing our core competitiveness.

Key Performance

In 2023, our R&D investment totaled RMB **221.065** million, accounting for **2.70%** of our operating revenue, up by **12.13%** compared to that of 2022.

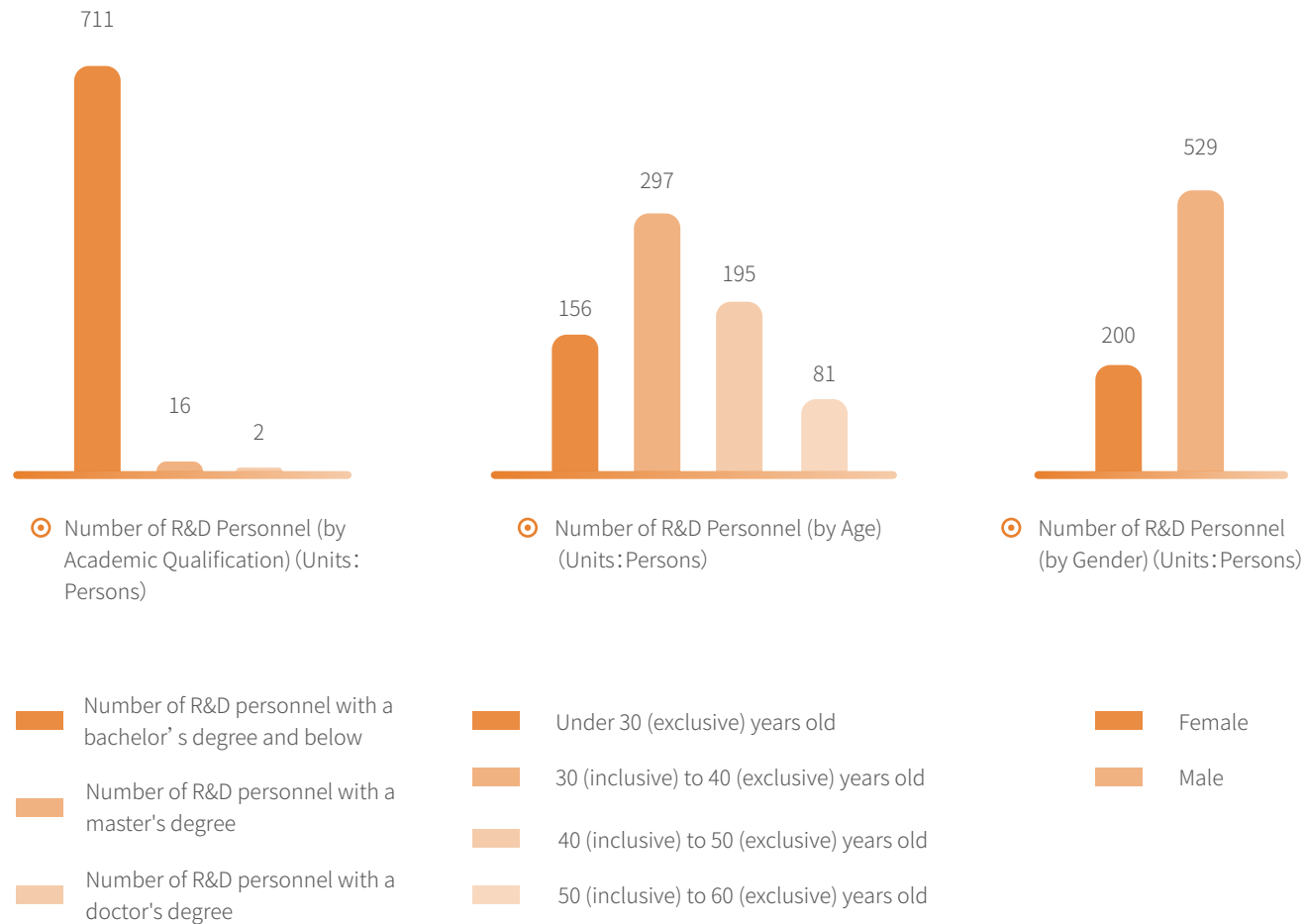


Design and Development Processes of New Products



R&D Technical Team Building

Henglin is dedicated to building a professional R&D team and has established the *Scientific and Technological Talent Introduction System* to specify the targets, channels, and procedures for talent recruitment and build R&D teams around core business and strategic development directions. As of the end of the Reporting Period, our technical R&D personnel totaled 729, including 2 PhDs and 16 Masters.



Talent Cultivation

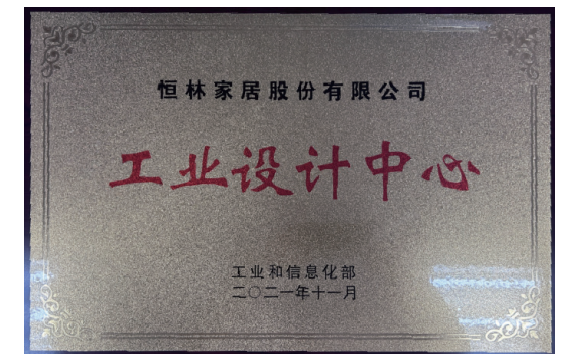
To enhance the construction of its R&D Center and talent development, Henglin has established the *Scientific and Technological Personnel Training and Development System* to standardize the management of training and professional development for scientific and technological personnel. This system includes contents such as application processes, training modes, and assessment criteria, aiming to continually improve the overall professional technical level of the R&D Center.

Talent Incentives

To fully mobilize the enthusiasm of the scientific and technological personnel, Henglin has established systems such as the *Performance Appraisal and Reward System for Scientific and Technological Personnel* and the *Scientific Achievements Transformation Reward System*. These systems allow for monthly, quarterly, and annual performance appraisals of our scientific and technological personnel, with results used as a basis for bonus allocation, promotion, and salary advancements. Additionally, equity incentives are implemented for certain high-level scientific and technological personnel. Moreover, Henglin rewards employees involved in R&D projects, patent filings, scientific paper writing, and the transformation of scientific and technological achievements.

R&D Platform Construction

Henglin is a pioneer in China, establishing the first academician workstation in the furniture industry and building a scientific research platform that integrates production, education, and research. This platform includes the National Industrial Design Center, a provincial-level enterprise research institute for intelligent functional seating, a provincial-level high-tech enterprise R&D center for intelligent functional seating, the Zhejiang Provincial Enterprise Technology Center, the Zhejiang Provincial Industrial Design Center, the Zhejiang Provincial Post-Doctoral Workstations and the Huzhou City Artisan Innovation Studio, among others. This comprehensive setup ensures a well-regulated and efficiently managed R&D system.



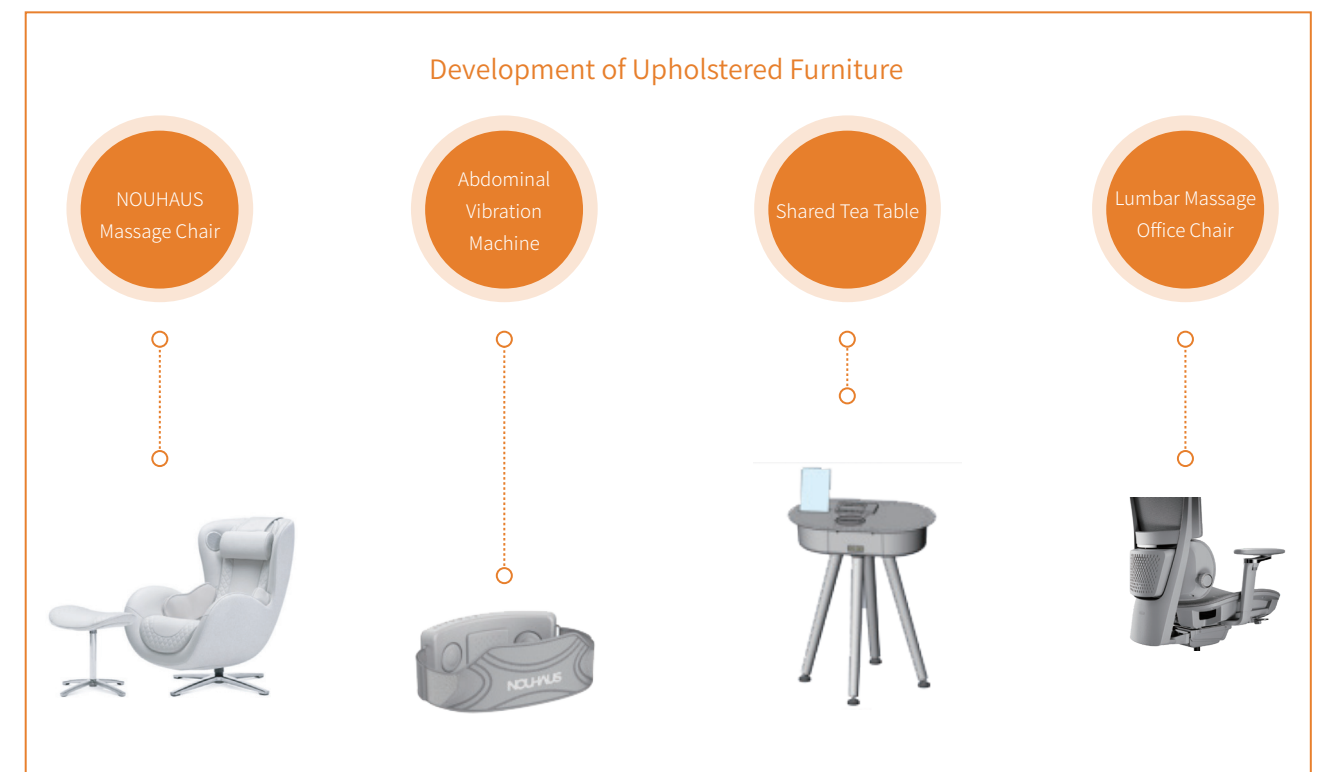
⊙ National Industrial Design Center

Product Technology Innovation

Product Technology Achievements

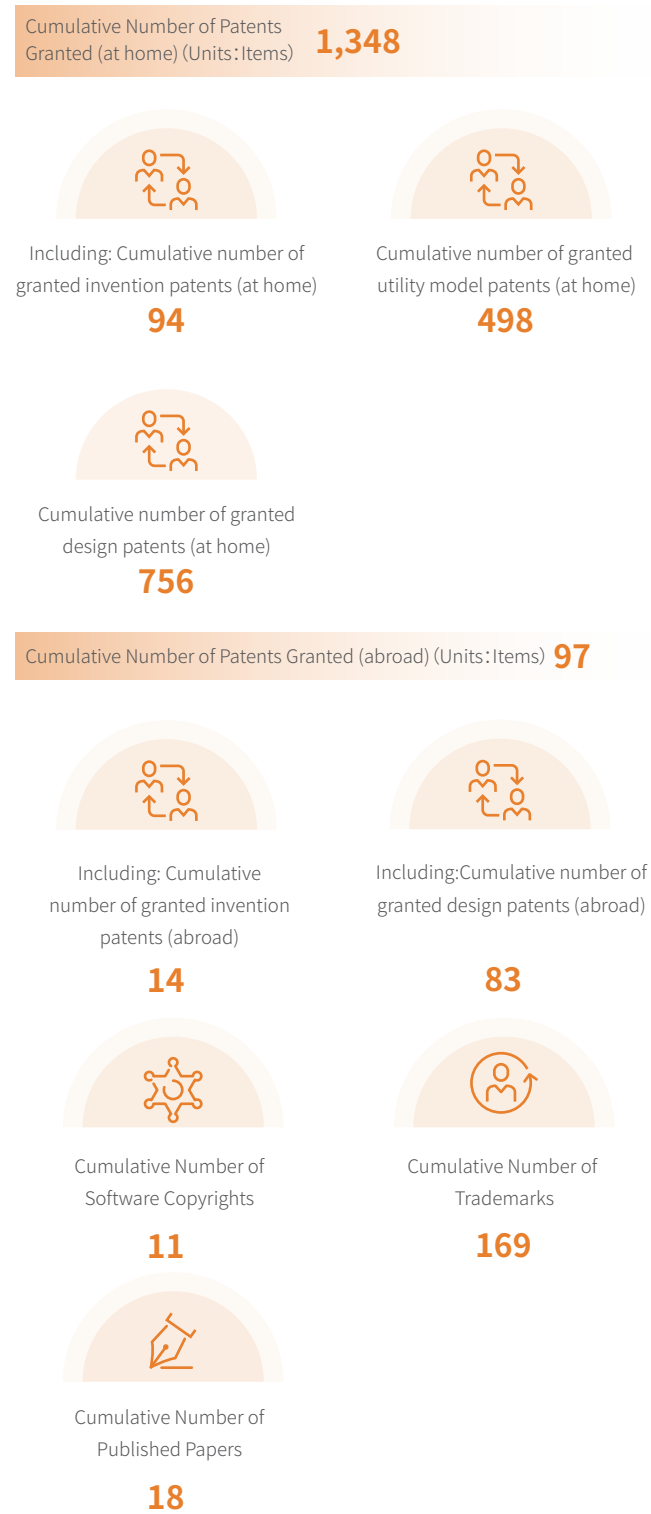
Henglin continues to explore new trajectories in comfortable home furnishings, focusing on original design and development supplemented by deep cooperation with domestic and international design agencies. This approach consistently yields creative furniture products that meet market demands.

During the Reporting Period, Henglin launched a series of new products to meet customer needs.



Henglin actively pursues an innovation-driven development strategy, focusing intently on its R&D platforms to efficiently advance R&D projects. With 26 years of continuous research, development, and technological accumulation, Henglin has mastered core technologies related to product design and production processes. This expertise encompasses chassis engineering, ergonomics, polymer material applications, and massage mechanisms, among other areas, accumulating extensive experiential data and forming several core technologies with completely independent intellectual property rights.

As of the end of the Reporting Period, Henglin held a total of 1,445 patents granted, among which there were 1,348 accumulated authorized patents in the domestic territory and 97 accumulated authorized patents in the overseas territory.



Cooperative R&D mechanisms

Henglin actively deepens the cooperation with universities and research institutes through industry-university-research collaboration mode. We have repeatedly engaged academicians from the Chinese Academy of Engineering, college and university professors, and R&D experts for joint R&D projects, and have established in-depth partnerships with prestigious national institutions such as Zhejiang University, Xi'an Jiaotong University, Zhejiang University of Technology, and other renowned international R&D institutions. Our subsidiary, Yongyu Home, in conjunction with Nanjing Forestry University and other research schools, has established an industry-university-research alliance to promote innovative technology development, enhance R&D efficiency, and reduce innovation costs.

Participation in Industry Co-Construction

Industry Standard

Henglin is committed to enhancing the competitiveness and manufacturing level of the home furnishing industry. We actively participate in the formulation and revision of various standards, collaborating with industry peers to promote the standardization and normalization of the home furnishing sector. By the end of the Reporting Period, Henglin has participated in the formulation of 1 international standard, 24 national standards, 8 industry standards, and 4 group standards, including leading the development of the group standards for products made in Zhejiang, such as *Office Chairs* and *Nap Chairs*, the group standard *General Requirements for Digital Workshop of Seat Intelligent Manufacturing*, and the industry standard *Office Furniture • Office Chairs*.



Industry Exchanges

Henglin has built a broad cooperation network with domestic and international industry peers. By participating in industry exchanges and product exhibitions, we share technological innovations and research achievements, jointly promoting the healthy development of the industry.

Industry Exchanges



① The Second General Meeting of the third Session of Zhejiang Chair Industry Association



② The 51st China International Furniture Fair (Guangzhou)



③ National Presidential Work Meeting of China National Furniture Association



④ The 52nd China International Furniture Fair (Shanghai)



⑤ The 1st Middle East Made-In-Anji Furniture Expo



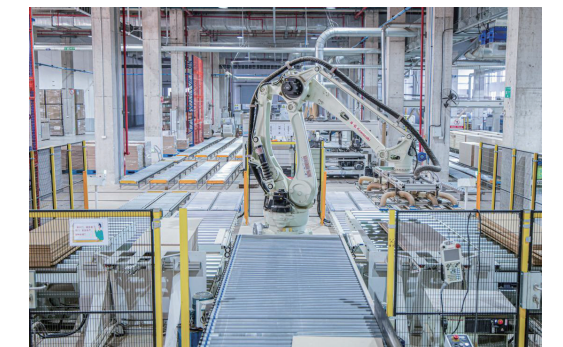
⑥ CIFF 2023 First Anji Green Home Expo

Henglin not only commits to green production, but also keeps abreast of intelligent manufacturing and digital-driven trends, actively integrating cutting-edge technology and innovative management concepts. We continuously optimize production processes and enhance overall efficiency, striving to create exceptional value for customers and collectively promote the green and intelligent development of the industry.

Case

Intelligent Manufacturing Upgrades

Henglin is among the first to initiate intelligent manufacturing in the home furnishing production sector. Through the application of 5G, IoT, and cloud computing, we have established an industry-leading industrial internet platform, enhancing the aggregation and dynamic optimization of resources across the whole supply chain. Moreover, Henglin utilizes big data algorithms, digital twins, artificial intelligence, and other technologies to dynamically monitor production lines to realize the dynamic monitoring of production lines, the deep synergy of the whole business chain, the deep integration of business data, the intelligent control of production processes, and the construction of an integrated, shared, and collaborative intelligent manufacturing industrial system.



Case

Digital-Driven Design Innovation

Henglin's R&D Team and Design Team utilize CAD, SolidWorks, and other two-dimensional and three-dimensional design tools to achieve parametric model-driven digital design. With the aid of 3D printing technology, product structures, functionalities, and performances are rapidly and accurately validated at a 1:1 scale. Building on this, our R&D Team will comprehensively apply digital technologies such as hybrid clouds and digital twins, combined with ergonomics and artistic innovation, to construct an international network design collaboration platform, achieving cross-regional and cross-departmental collaborative design across the entire supply chain.



Protection of Intellectual Property Rights

Henglin deeply understands the importance of intellectual property protection and strictly adheres to the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China*, and other domestic and international intellectual property laws and regulations. We have established the *Procedures for the Management of Intellectual Property Rights of Corporate Research Institute*, regulating every aspect of intellectual property application, maintenance, utilization, and protection to ensure the legal rights and interests regarding our innovations are fully protected, laying a solid foundation for our continuous innovation and development.

Henglin has set up a specialized Intellectual Property Management Group, which is responsible for applying and maintaining patents, deeply integrating into the product R&D process, and supporting the R&D Team in timely patent applications and infringement risk avoidance, thus constructing a comprehensive intellectual property management system. Furthermore, we regularly perform patent searches and declare invalid or expired patents according to the law when necessary, place high importance on cultivating intellectual property awareness, routinely conducting intellectual property protection training sessions, hire professional lawyers as legal advisors to respond swiftly to infringement actions, thus reducing intellectual property risks and ensuring the maximization of corporate intellectual property interests.

Building a Responsible Supply Chain

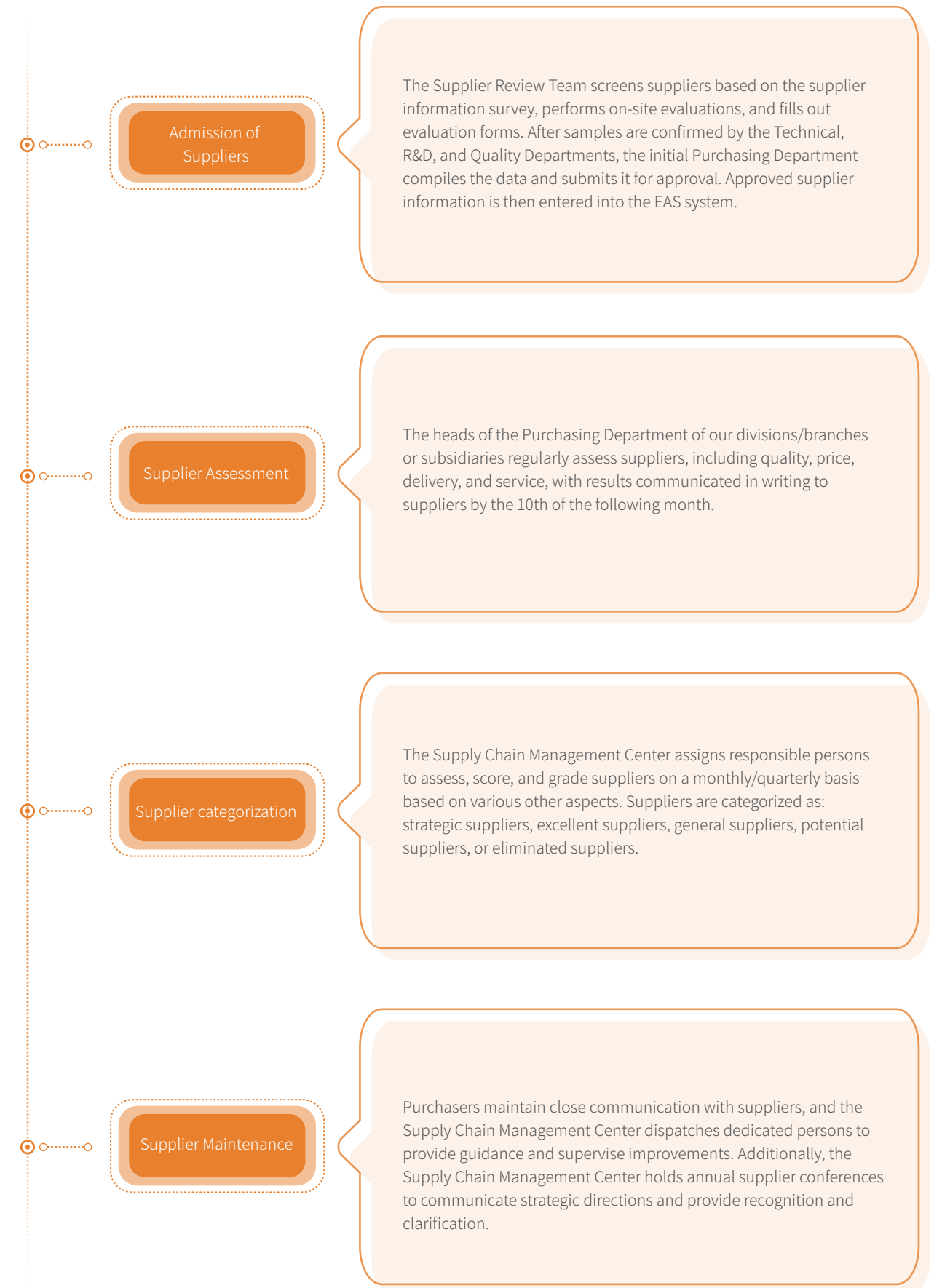
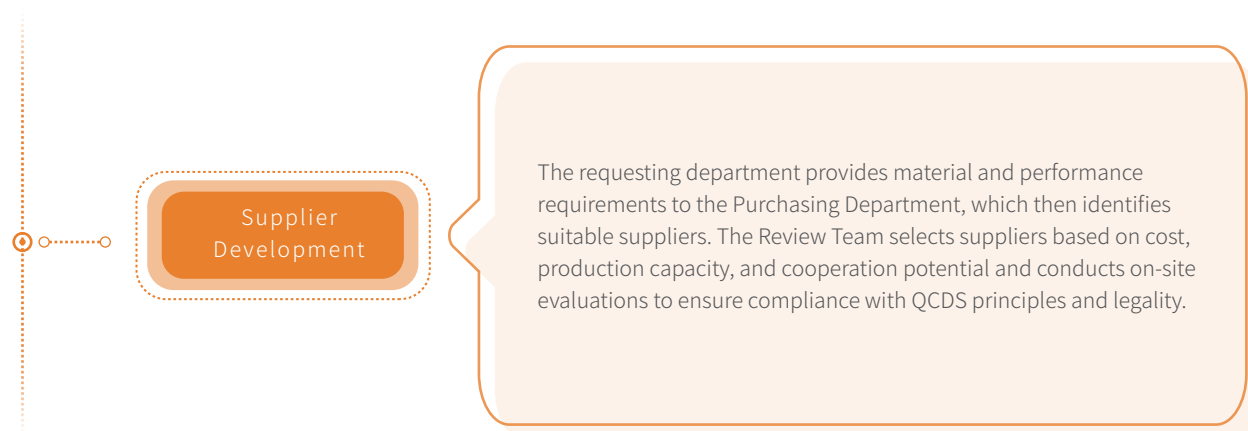
Standardizing Supply Management

Supplier Management

Henglin has formulated the *Supplier Management Procedures* to standardize process control for the initial development and subsequent management of suppliers across all divisions/branches and subsidiaries and established a comprehensive supplier management system to clarify supplier development processes and evaluation methods, thus achieving the whole-process management of suppliers and mutual benefits.

Whole-process Management of Suppliers

For supplier development, admission, evaluation, classification, and maintenance, Henglin has developed a series of management measures and procedures to ensure the whole-lifecycle management of the suppliers.



Practicing responsible Purchasing

To ensure the standardization and efficiency of the purchasing and testing of materials, transportation, consulting, and other external services, Henglin has established systems such as the *Purchasing Management Procedures* and *Bidding and Purchasing Management Procedures*, clarifying the management responsibilities, workflows, and work requirements for material purchasing. This ensures that the Purchasing Department strictly adheres to procedures and standards for legal and compliant material purchasing operations. At the same time, Henglin is increasing local purchasing to reduce purchasing costs and transportation risks, enhancing the stability and sustainability of the supply chain, and strengthening our competitiveness and market position.

Key Performance

The proportion of spending on purchasing from local suppliers was: **52.70%**.

Clean purchasing

Henglin continuously enhances the business ethics of suppliers, committed to establishing a clean, honest, fair, and trustworthy business relationship with suppliers. We have established the *Code of Conduct for Employee Interactions with Suppliers*, practicing the principles of being cordial and clean with partners by adopting a “friendly” attitude and “clean” behavior, maintaining a bottom line of integrity, preventing any form of corruption, and creating a fair, reasonable, and transparent supply-demand environment. Together with suppliers, we aim to co-create value, share resources, and achieve win-win outcomes.



Employee Code of Conduct

- It is strictly prohibited to conduct business with suppliers in non-work settings.
- It is strictly prohibited to use official power to accept benefits from suppliers or other partners.
- It is strictly prohibited to disclose Company trade secrets.
- It is strictly prohibited to accept any kind of gifts, monetary gifts, negotiable securities, or other benefits.
- It is strictly prohibited to independently visit suppliers' residences/business premises for inspections.



Supplier Code of Conduct

- It is strictly prohibited to provide gifts, loans, leases, investments, or non-work-related dealings to employees.
- It is strictly prohibited to engage in bribery, collusion for profit, or under-the-table deals.
- It is strictly prohibited to engage in contract fraud or passive service.
- It is strictly prohibited to linger after delivery or leak confidential information.
- It is strictly prohibited to maliciously complain or retaliate.

Key Performance

Percentage of suppliers that have signed the Integrity Agreement: **100%**.

Green Purchasing

Henglin strictly controls environmental standards in selecting suppliers, ensuring that partners comply with environmental requirements. In the construction of a green supply chain, we continuously uphold the ideas of green and environmental protection throughout R&D, production, and logistics and extend these ideas across the entire supply chain. We actively share technologies and experiences in green factory construction and exchange knowledge with partners. Focusing on low-carbon, environmentally friendly renewable raw materials, we are committed to developing green manufacturing and energy-efficient production with our partners, continually enhancing our green supply chain system, and jointly promoting the sustainable development of the industry.

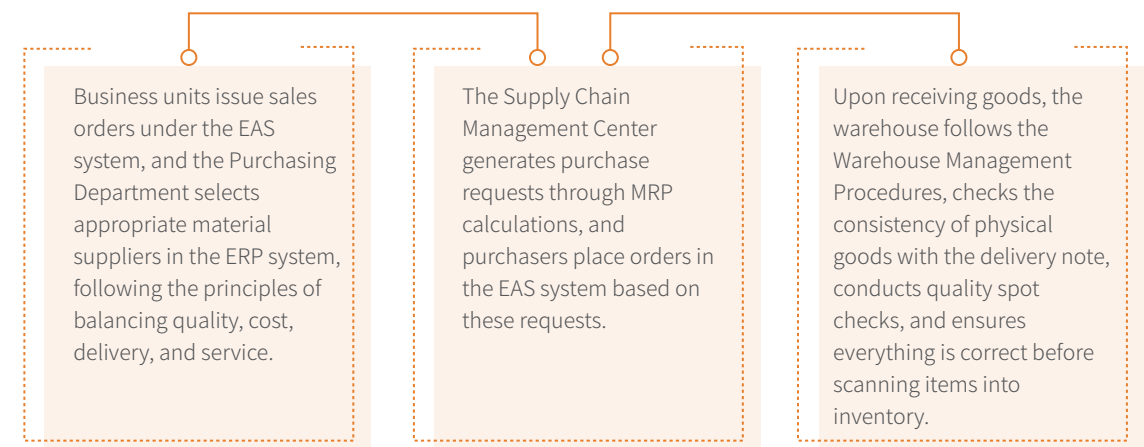


National Green Supply Chain Management Enterprise

During the Reporting Period, Henglin was honored with the National Green Supply Chain Management Enterprise qualification and participated in drafting national green standards such as the *Green Manufacturing - Green Supply Chain Management in Manufacturing Enterprises - Implementation Guide*. By summarizing experiences and refining theories to guide practice, we comprehensively and scientifically build a green home furnishing enterprise, dedicated to promoting the green and sustainable development of the industry.

Smart Purchasing

We actively promote a smart purchasing mode to enhance the efficiency and accuracy of the purchasing process, thus continuously optimizing our supply chain management.



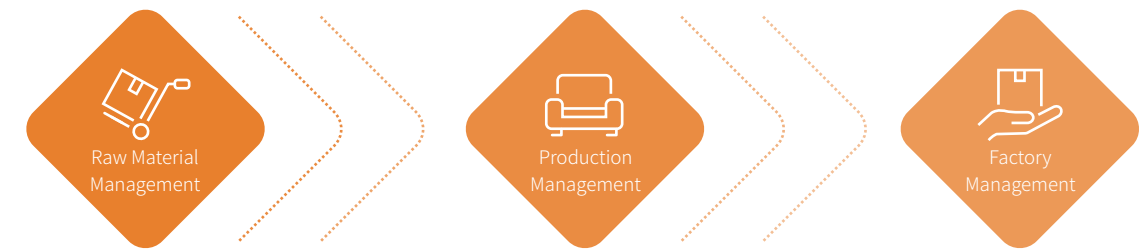
Strengthening Quality Control

Product Quality Management

Henglin insists on winning customers with integrity and capturing the market with quality. We have established a comprehensive quality management organization, defined management responsibilities and work procedures, and promoted the institutionalization of quality management. By implementing systems like the *Production and Service Provision Control Procedures*, *Monitoring and Measurement Control Procedures*, and *Nonconforming Output Control Procedures*, we effectively control the production and service provision processes to ensure product quality meets standards.

Quality management is the cornerstone of stable development. Henglin focuses on quality management and has built a comprehensive quality management system. During the Reporting Period, Henglin obtained the ISO 9001 Quality Management System certification, and the massage chair products obtained ISO 13485:2016 certification, continuously maintaining the effective operation of the quality system.

Each division upholds high-quality development goals, establishes quality strategic development plans for 2024-2026, firmly implements a zero-defect quality strategy, and continually improves the quality management system, cultivates a quality culture, and builds an excellent brand. We comprehensively advance quality cost management, information-based management, and comprehensive quality management. Simultaneously, each division is committed to pursuing a zero-defect management philosophy and Six Sigma management philosophy, striving to enhance product quality, service levels, and operational efficiency to achieve modern and efficient operations. By continuously optimizing processes and reducing errors and defects, we ensure the robust development and safe operation of each division, contributing to the high-quality development of the Company.



Upon the arrival of raw materials, they are verified against the delivery note, subjected to random sampling inspections, and then categorized as conforming products or nonconforming products based on test results.

After raw materials are stored, pilot production is conducted for product review. Conforming products proceed to specialized workshops like carpentry and cutting for segmented production processes, where in-process inspections are carried out based on inspection standards to differentiate between conforming and nonconforming products.

Factory inspectors examine products before they leave the factory, complete the *Finished Product Inspection Records*, and sign off on it. At the end of each month, these records are compiled and submitted to the Quality Control Department for archiving, retaining the evidence of qualified inspection and traceable information of inspectors to ensure products meet quality standards before release.

Control of nonconforming products

We have established the Control Procedures for Nonconforming Outputs, classifying unmarked or suspicious products as nonconforming products. Through closed-loop operations, nonconforming products are identified, marked/isolated, handled, and improved, with a clear responsible department defined for each process to ensure rigorous quality control.

Principles for Handling Nonconforming Products

The "Three Nos" Principle

No accepting, producing, or releasing the defective products.

The "Three Do Not Let Go" principle

Not let go until the reasons for unqualified items are found out, not let go until the person responsible is found out, and not let go until the improvement measures are implemented.

Optimizing Quality Control

Lifecycle Management

We continually strengthen control over product quality, integrating quality management throughout the lifecycle from understanding customer needs through R&D to production. We implement quality control methods to effectively prevent defects, resolve product issues promptly, and ensure shipped products meet customer requirements. We take concrete responsibility for product quality to guarantee it.



Product Recall Procedures

Key Performance

During the Reporting Period, the number of products withdrawn or recalled by Henglin for health and safety reasons was **zero**.

Quality Culture Development

To enhance all employees' awareness of quality risks and their capability in quality management, Henglin continuously strengthens the construction of an advanced quality culture. Adhering to our quality management standards, we have formulated the *Henglin (2023) Annual Training Plan* aligned with our annual quality management goals, business development needs, and job competency requirements. Through high-quality training courses, we elevate the quality management awareness of all employees.

Key Performance

Number of times of annual quality internal audits

28times

Number of times third-party agencies were engaged for sampling

10times

Note: Data compilation encompasses Henglin headquarters, excluding subsidiaries.

Product Recall Management

Henglin places high importance on customer feedback regarding product defects. Upon receiving such information, we will immediately initiate a stringent review process and establish the *Product Recall Procedures* to ensure accurate issue identification. After preliminary review, the issue will be submitted to the General Manager for approval, ensuring efficient and authoritative decision-making. Subsequently, we will organize a professional team to discuss the recall plan. Once the plan is approved by the General Manager, the Business Department will promptly notify customers to initiate the recall process. Henglin consistently addresses product issues with efficiency and professionalism, fully safeguarding consumer rights and interests.

Case

Demonstration Training on the Full Inspection Process of Base Glue Shells

In the production workshop, Henglin conducts demonstration training centered on the full inspection process of quality glue shells. The training focuses on how to use a 1.5mm thickness gauge to inspect the flatness of the glue shells at the base. Participants meticulously inspect the perimeter of the glue shells; if the gauge easily fits into the gap between the glued shell and the glass platform, the glue shell is deemed non-flat. Conversely, if the gauge cannot fit, the glue shell is considered conforming. The training ensures that our employees master this inspection technique precisely.



Key Performance

Number of participants in quality culture training	Total hours of quality culture training	Sessions of quality culture training
620	253 hours	77 times

Note: Data compilation encompasses Henglin headquarters, excluding subsidiaries.

Offering Outstanding Quality and Service

Protecting the Rights And Interests of Customers

Customer Service Management System

Henglin strictly adheres to the requirements of the GB/T27922 Evaluation System for After-sales Service of Commodity and has developed systems such as the After-sales Service System Management Manual, After-sales Service Specification Manual, Customer Complaint Handling Regulations, and Return and Refund Management Control Procedures. We continuously improve the after-sales service workflow, always adhering to the service principles of “customer first, service priority, quality service, and timely response”, constantly enhancing service quality and efficiency. We establish a comprehensive pre-sale, in-sale, and after-sale service system, enhancing customer recognition and improving satisfaction, reputation, and visibility among customers.

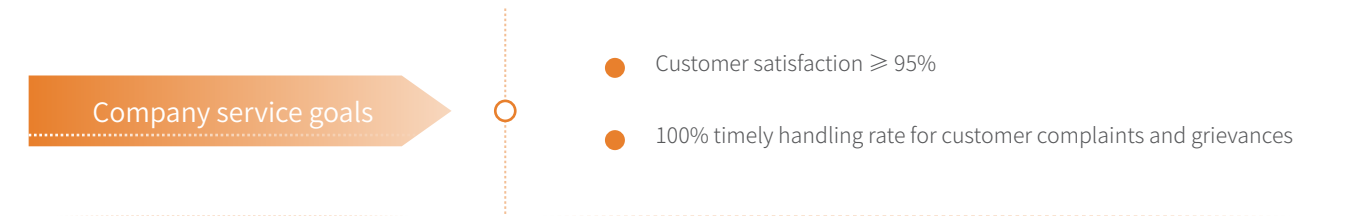
During the Reporting Period, our after-sales service system passed the national standard GB/T27922-2011 certification obtained a Five-Star After-sales Service rating. We have equipped with professional after-sales service managers, with our after-sales service level being recognized as first-class nationally and our after-sales service capability being recognized.



After-sales Service System Certification

Goals in After-sales Service

Every December, Henglin sets the service goals for the following year, which, once approved by the General Manager, are disseminated to all departments. To ensure the implementation and operation of the after-sales service system and its annual passage of third-party audits, we standardize the assessment details of related service goals. The Customer Service Department is responsible for revisiting, supervising, and statistically tracking these detailed service goals, incorporating the results into employee performance appraisals. For nonconforming items identified during audits, corrective actions will be taken to completely resolve the issues and prevent the recurrence of similar issues.



Responsible marketing

Henglin strictly adheres to the Law of the People's Republic of China on the Protection of Consumers' Rights and Interests and the Advertising Law of the People's Republic of China, among other laws and regulations, and always upholds responsible sales and marketing practices. We continuously refine our marketing systems, regulate product releases, and sales activities, and rigorously review promotional and external communication materials to ensure accurate descriptions. We prevent the dissemination of misleading or ambiguous product information, eliminate false and excessive advertising, and ensure marketing activities are legal and compliant.

Key Performance

Number of participants in responsible marketing training	Total hours of responsible marketing training	Sessions of responsible marketing training
51	118 hours	38 times

Note: Data compilation encompasses Henglin headquarters, excluding subsidiaries.

Customer Satisfaction Management

Henglin conducts customer satisfaction surveys to systematically gather and document customer feedback on product quality and service. Detailed records, organization, and comprehensive analysis of the feedback help us fully understand customer needs and expectations, continually improving our management systems, product quality, and service levels. Furthermore, to enhance customer satisfaction, Henglin incorporates customer service satisfaction results into employee performance appraisals, fostering a strong brand image.



Handling of Customer Complaints

Customer Communication and Feedback

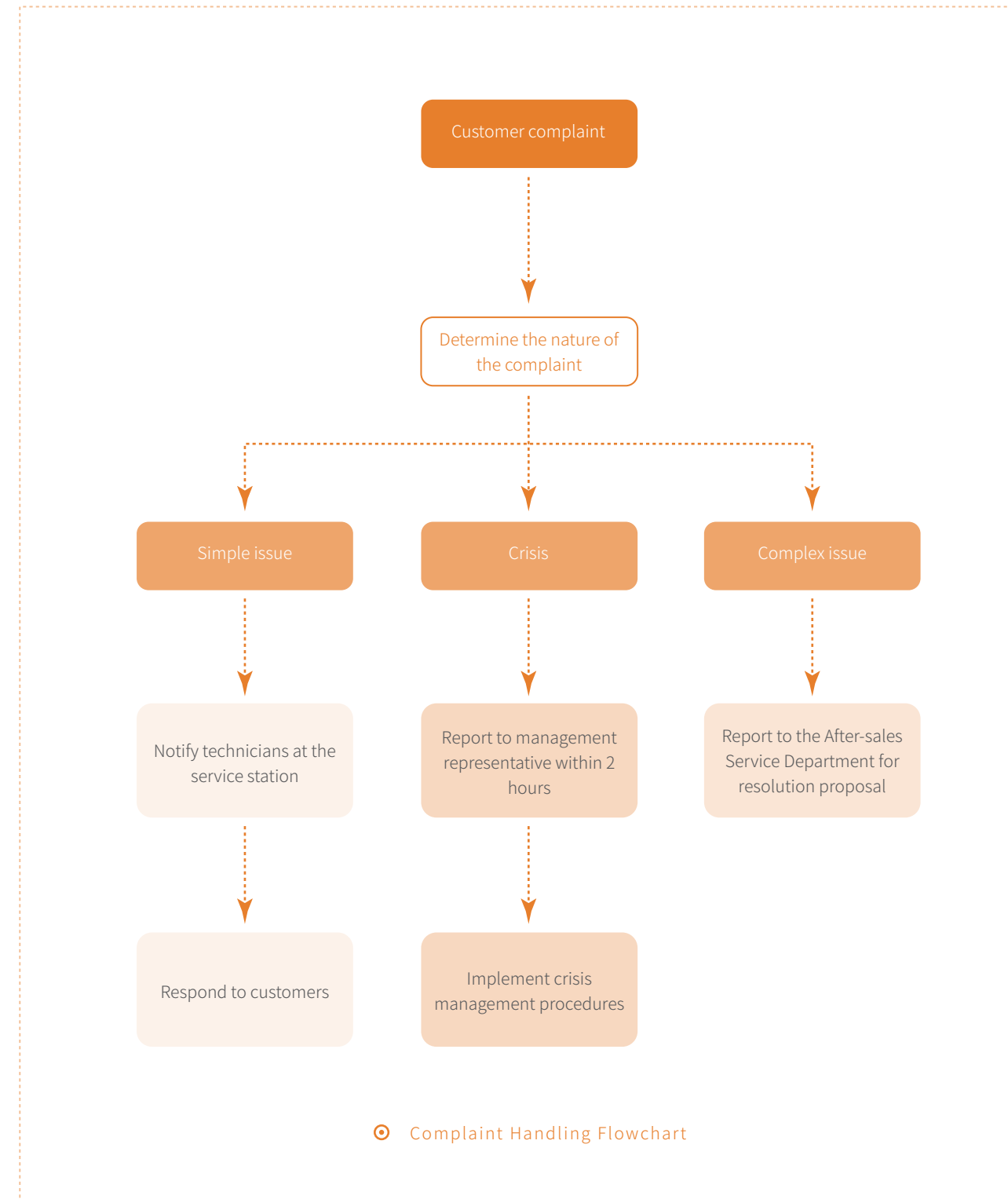
Henglin upholds a service philosophy of “Professionalism, Enthusiasm, Thoroughness, Timeliness”. We maintain active communication with customers through diverse channels such as face-to-face interactions, phone calls, QQ, Real Time exchange, and various internet platforms, receiving various suggestions from customers and striving to understand customer needs realistically, objectively, and comprehensively. Customers can also provide feedback and complaints through our 400 hotline, after-sales service phone, and online website services.

Customer Complaint Response

To properly handle customer complaints, better protect the legal rights and interests of consumers, and ensure the timely resolution of customer complaints, Henglin has established the *Customer Complaint Handling Procedures* and *Customer Reception Management Procedures*. Upon receiving a complaint call, the Sales Department first contacts the customer to understand the specific after-sale issue. Based on the specifics of the complaint, the corresponding Production Department is contacted to undertake repairs, factory returns, or compensation, providing a rapid response and resolution to customer feedback.

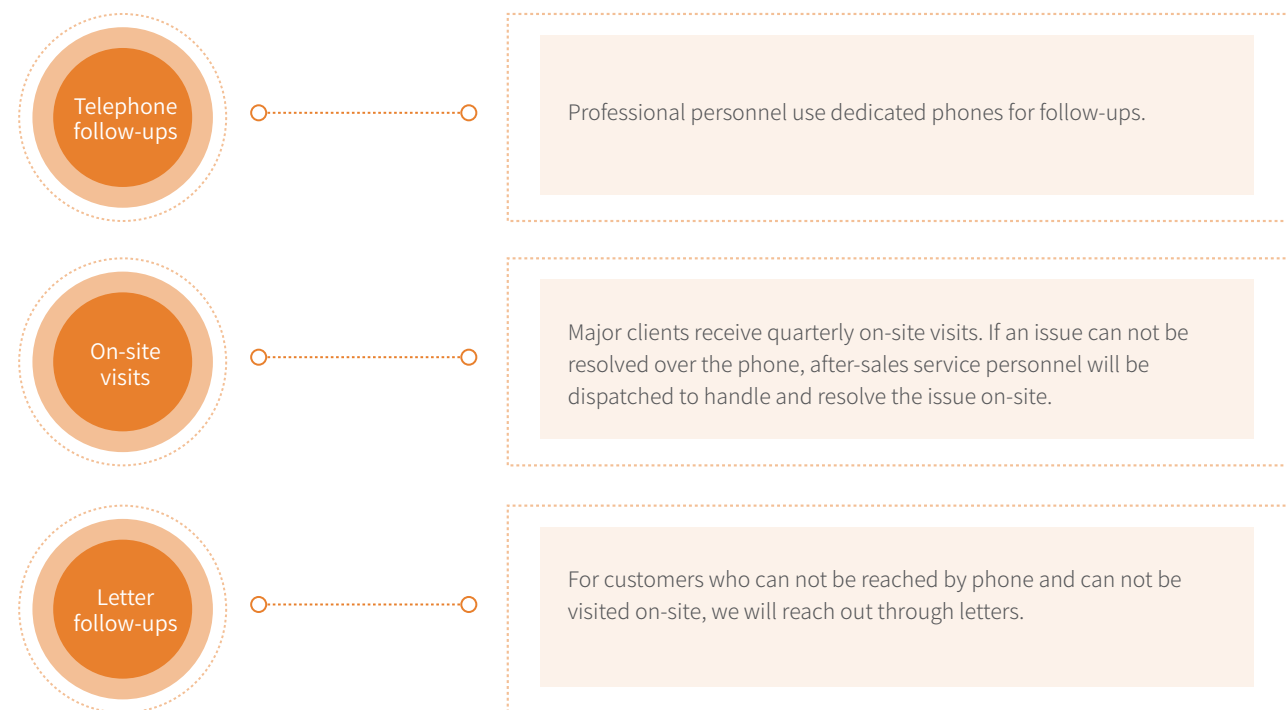
Key Performance

During the Reporting Period, our customer complaint resolution rate was **100%** and our customer satisfaction score was **99**.



Customer Follow-up

Henglin primarily employs methods such as telephone follow-ups, on-site visits, and letter follow-ups to engage with customers. We gather feedback on product usage, address any issues users may face, and meticulously document each follow-up interaction. We are committed to responding to every concern raised by our customers, thereby swiftly capturing and understanding their feedback.



Digital Management

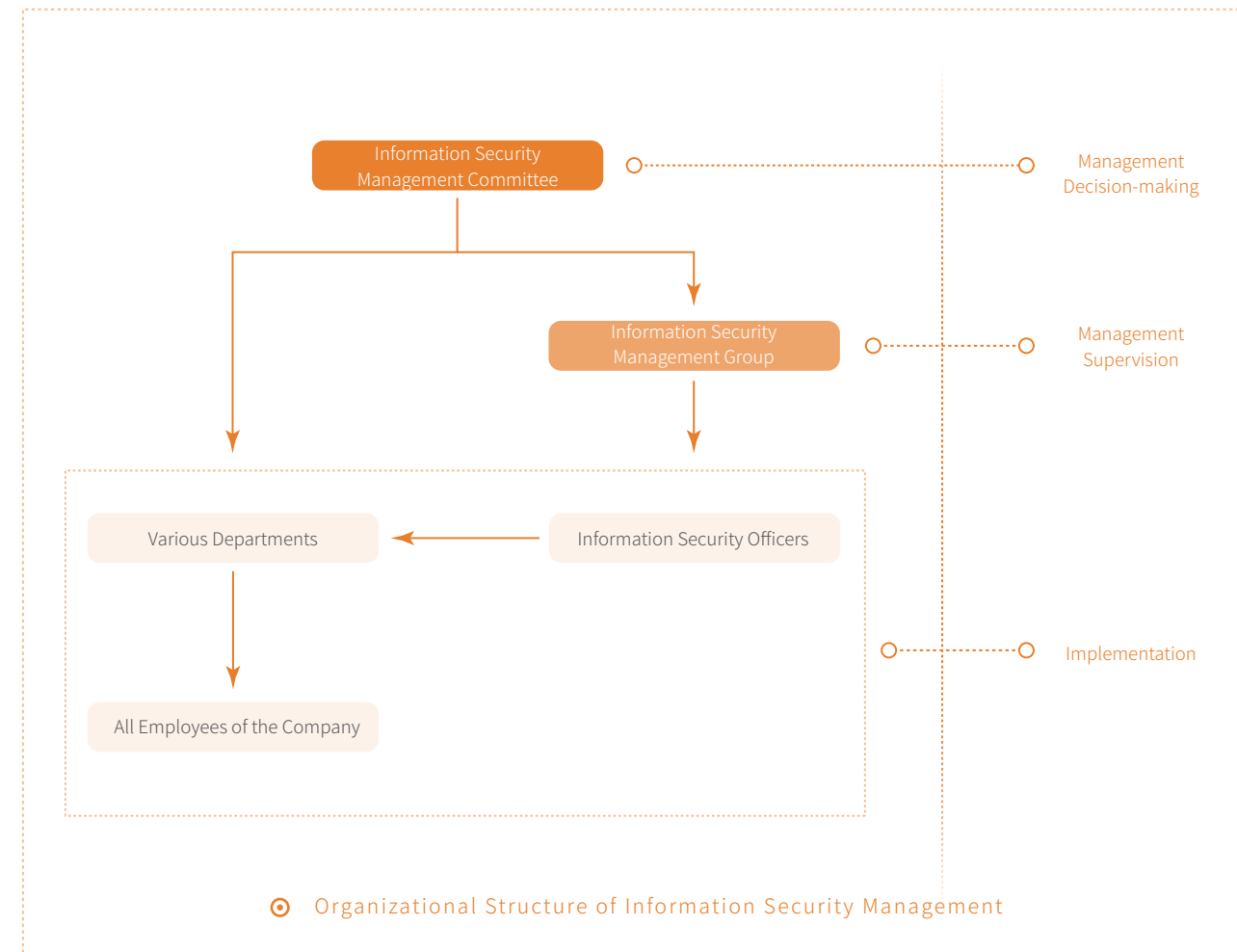
Henglin has always prioritized a customer-centric philosophy, dedicated to enhancing customer satisfaction and consistently providing superior services. In 2007, we developed our own Enterprise Resource Planning (ERP) system, allowing branches or customers to provide direct feedback on quality issues. By logging into the ERP system daily, departments can instantly access, rapidly transmit, and efficiently utilize detailed feedback and process and respond to the feedback.

To systematize customer resources, standardize customer management, integrate marketing, refine service management, and intelligentize business decision-making, Henglin introduced a CRM management system in 2008. We have established the *Customer Information Operation Standards* and *CRM System Module Operation Standards for Various Institutions* to effectively track customer usage and provide products and services tailored to individual needs.

Properly Protecting Information Security

Information Security Management

Henglin strictly adheres to the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, and the *Information Security Technology – Personal Information Security Specification*, among other relevant laws and regulations. We have formulated *Henglin Computer IT Equipment and Network Management Systems*, *Henglin IT Computer Room Management Regulations*, and other specifications. We have established an IT Department and a security management organizational framework, which is structured into three levels: management decision-making, management supervision, and implementation. This framework provides organizational support for our information security management system, ensuring the implementation and supervision of information security management tasks, and enhancing our security management capabilities.



Key Performance

Over the past three years, Henglin **has not experienced** any incidents of information security or privacy protection violations.

Regular Security Governance

Data Security Risk Management

Henglin values data security risk management, with the Information Security Management Group organizing departments to conduct at least one data security risk assessment annually. This assessment includes the phases of initiation, asset classification and grading, risk identification and evaluation, disposal planning and implementation, and continual improvement. For efficiency, data risk assessments may be combined with annual internal or external (group corporate level) security inspections, supervision, and audits to complete corresponding risk assessments and risk disposal activities and comprehensively enhance our data security.

Data Grading and Classification Management

Henglin adopts a classification and grading management approach for data assets, categorizing the CIA (confidentiality, integrity, and availability) attributes of information assets into five levels based on their importance. Additionally, according to the form of information assets, they are divided into five categories: data assets, physical assets, software assets, personnel-related assets, and service assets. Clear definitions of data ownership, usage rights, and management rights are established to ensure that different levels of data receive appropriate security controls, effectively reducing the risks of data leakage, damage, or loss, and safeguarding the information security and business interests of our Company.

Information Security Training

Our Process IT Management Department regularly conducts information security training for internal employees to enhance their business capabilities and awareness of information security. Furthermore, before launching new business systems, we will provide users with relevant operational training, followed by practices and assessment verifications. Users are only granted access to operate in the official environment once they have successfully passed the assessments. This approach improves their professional skills and standardization of operations and minimizes risks due to misoperation.

Key Performance

Number of information security training sessions

15 times

Number of participants in information security training

3,615

Note: The statistical data scope covers Henglin and its subsidiaries.

Business Continuity Management

Business Continuity Plan

To standardize our business continuity management, we have established a business continuity management plan that integrates prevention and recovery controls. This proactive approach addresses emergent information security incidents, preventing business disruptions and minimizing impacts on our Company within manageable limits. We ensure the continuity of critical business processes, forming a robust business continuity management system characterized by well-established mechanisms, centralized leadership, clear responsibilities, prevention focus, responsive action, and efficient handling, thereby guaranteeing the ongoing operation of key business flows.

Training and Drills

We regularly conduct business continuity management awareness training to enhance employees' awareness of business continuity management, ensuring they possess the necessary management and technical skills for business continuity management. To ensure the effectiveness of the plan, we employ various drill methods including tabletop, interactive, simulation, parallel, and full-scale exercises. After each exercise, departments are required to submit reports for prompt improvement based on the issues identified. The Information Security Management Group organizes at least one drill annually, ensuring our Company can respond swiftly and orderly to various contingencies, thus maintaining the continuous and effective implementation of business continuity management.

Continual Improvement

The Information Security Management Group reviews the business continuity plan at least annually and conducts comprehensive evaluations and audits during significant changes, ensuring sustained effectiveness. Following drills or actual activations of the business continuity plans, we assess, summarize, and learn from these drills, making necessary revisions and updates to keep the plans relevant and effective.



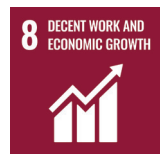
5

Creation of a Better Future for the Home Furnishing Industry: Sharing Trust to Build the Cornerstone for Long-Term Prosperity

Henglin is committed to equality and compliance as the foundation, talent development as the drive, democratic communication as the bridge, and safe production as the safeguard. Upholding the spirit of public welfare, we actively give back to society through concrete actions, contributing to the prosperity of individuals, teams, businesses, and society.

- ⦿ Upholding the Rights and Interests of Employees
- ⦿ Ensuring the Democratic Life of Employees
- ⦿ Fostering Employee Growth
- ⦿ Paralleling Safety and Health
- ⦿ Contributing to Social Welfare

SDGs



Upholding the Rights and Interests of Employees

Talent Team Building

Talent Recruitment

Henglin strictly adheres to the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and other applicable national and international laws and regulations. By establishing *Recruitment Systems*, *Recruitment Procedures*, and relevant systems, we standardize recruitment and internal hiring processes, ensuring orderly, equitable, and transparent human resource management. Depending on our development needs, we conduct both internal and external recruitment to continuously expand our talent pool. Additionally, we have established an employment training base for veterans in Anji County, having placed 64 veterans in employment by the end of the Reporting Period.

Key Performance

In 2023, our total employee count was **10,251**, with a **100%** labor contract signing rate, and **60.6%** of employees were locally hired.



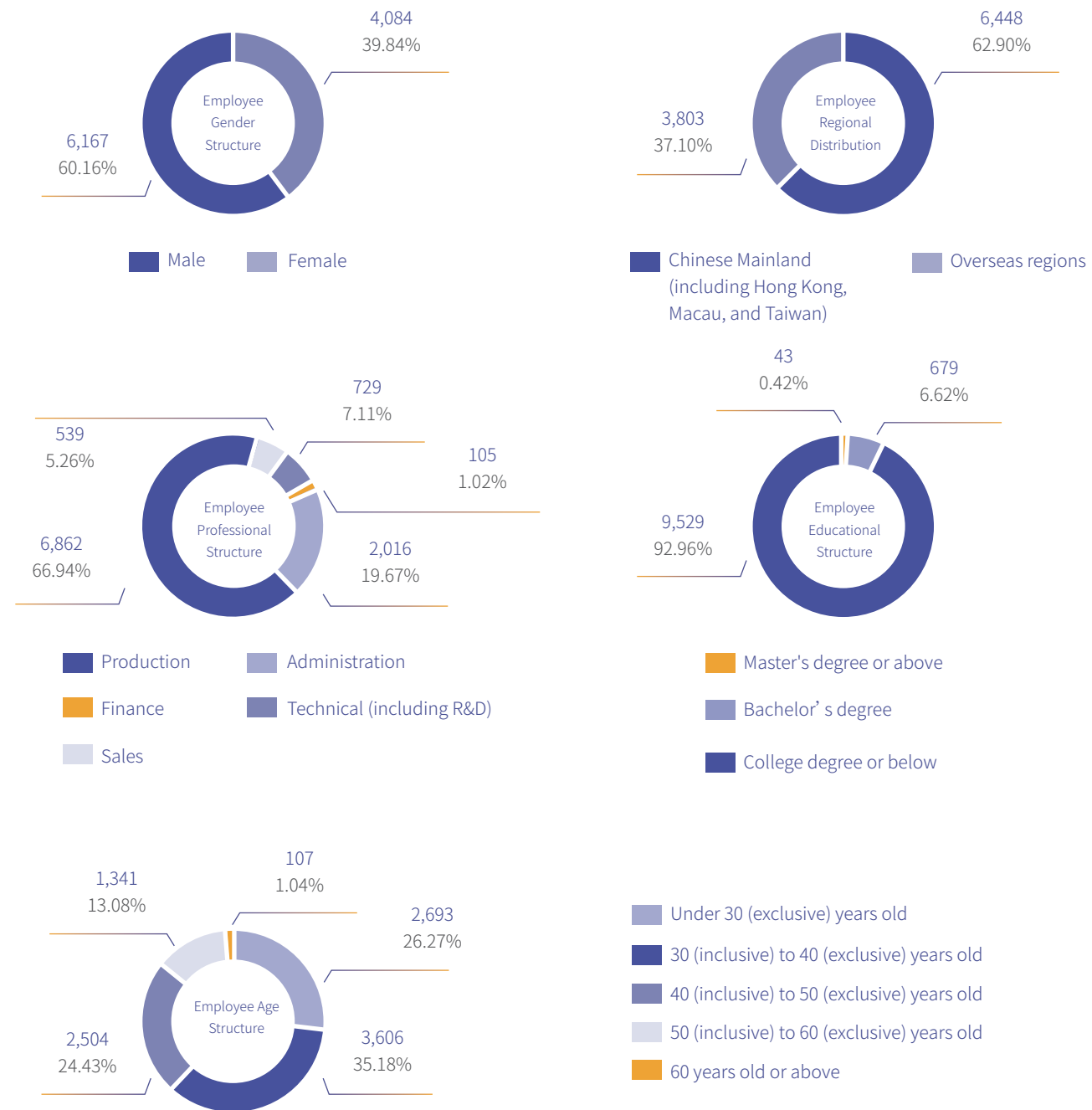
Number of recruits (by recruitment channel)



Diverse Structure

Henglin has assembled a diverse team of talents with various characteristics, including different genders, nationalities, ages, educational backgrounds, and skill sets. This diversity fosters cross-cultural exchanges and integration, further invigorating our team members' passion and drive for excellence.

Employee Distribution Structure of Henglin in 2023



Note: Indicator compilation encompasses Henglin and our subsidiaries.

Protection of Employees' Rights and Interests

Anti-discrimination and Diversity

Henglin is committed to fostering a diverse, inclusive, and harmonious work environment, resolutely safeguarding each employee's legal rights and interests. We enforce equal pay for equal work and have established procedures such as the *Anti-discrimination Procedures* and the *Employee Grievance Procedures* to ensure decisions in hiring, wages, benefits, promotions, dismissals, or retirements are strictly based on the employees' ability to perform their job duties. We treat all employees equally, without bias towards their race, skin color, gender, nationality, age, religious beliefs, marital status, sexual orientation, disability, or any other factors unrelated to their job. Additionally, we value the diversity among employees, advocate for efficient and collaborative teamwork, and support the joint prosperity and development of individuals and the organization.



Prohibition of Forced Labor and Child Labor

Henglin strongly opposes any form of forced labor and has established the Procedures for the *Prohibition of Forced and Punitive Labor* clearly requiring training on relevant policies for new employees to ensure the protection of our employees' human rights. Moreover, the use of child labor is strictly prohibited. Our *Procedures for Prohibiting the Use of Child Labor* mandates a prior ID check to verify the identity and age of all new hires. If child labor is detected, the HR Department is notified immediately to take necessary remedial actions, including immediately terminating employment, arranging a medical checkup, escorting the child home, and covering related expenses. As of the end of the Reporting Period, there have been no incidents of child labor misuse, forced labor, or harassment.

Employee Compensation and Benefits

Compensation Management

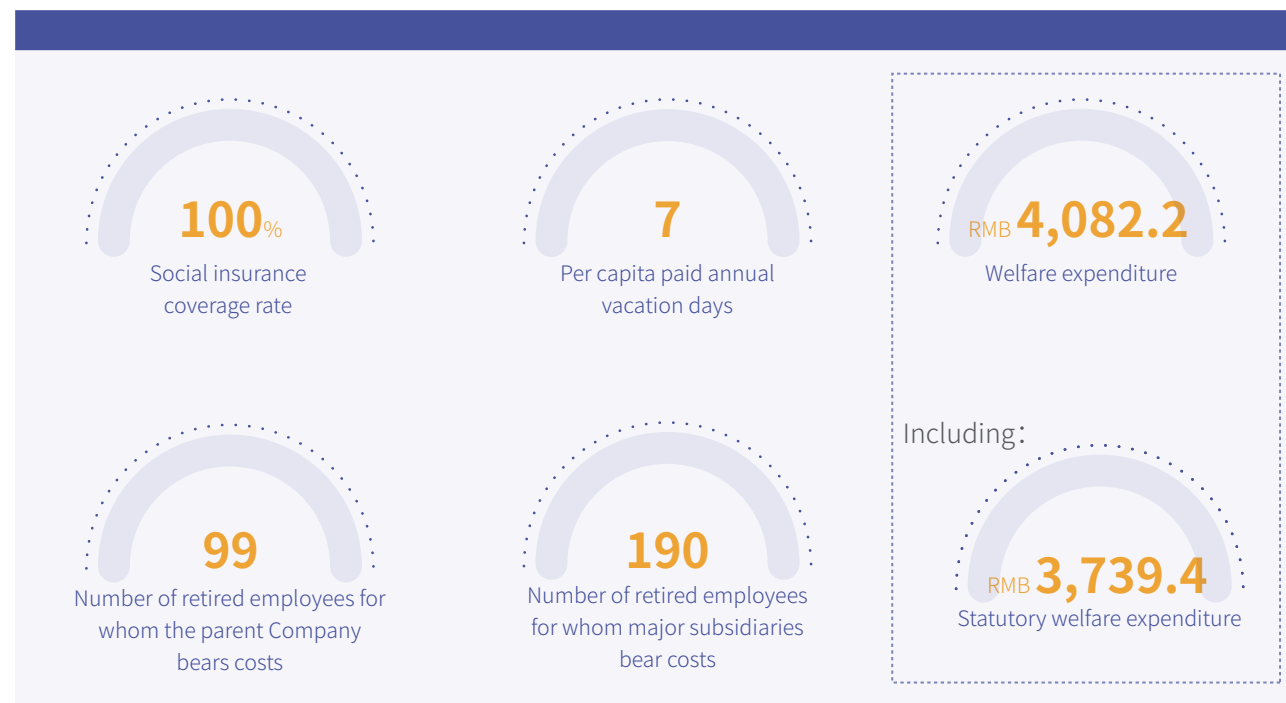
Henglin has established a compensation management system based on job value, performance, and employee capabilities. We have developed a *Compensation Management System* to regulate our compensation management practices. Regular salary surveys, job evaluations, and labor cost analyses are conducted. Compensation levels are determined based on a ranking system, incorporating various combinations of compensation, such as basic wages, positional salaries, welfare allowances, year-end performance bonuses, and other incentives, according to the nature of the positions. Annually, we consider market salary trends and corporate performance to devise and implement a comprehensive annual salary adjustment plan across the group, maximizing the motivational effect of our compensation system to attract and retain outstanding talents.

Equity Incentive

To enhance employee cohesion and corporate competitiveness, Henglin has implemented the *2023 Employee Stock Ownership Plan* covering directors, supervisors, senior management, and key business personnel. Initially, the plan involved no more than 208 employees, building and perfecting a shared interest mechanism between employees and shareholders, and driving our Company toward long-term, sustained, and healthy development.

Employee Benefits

Henglin ensures full and timely payment of social insurance for employees, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance, and housing provident fund. According to employees' tenure, we provide 5-15 days of paid annual leave, strictly implement maternity and nursing leave regulations for female staff, provide maternity benefits and support according to the law, offer annual health checkups, festival benefits, mutual aid insurance for employees, and housing subsidies.



Case

Warm Homecoming Road | Henglin's 17th Year of Facilitating Employee Homecoming

The warmest road in the world is the road home. To ensure that employees from other regions can safely and smoothly travel home for the Spring Festival, Henglin has been organizing chartered buses for employees to return home for 17 consecutive years, becoming a warmly recognized feature of the annual Spring Festival travel season.



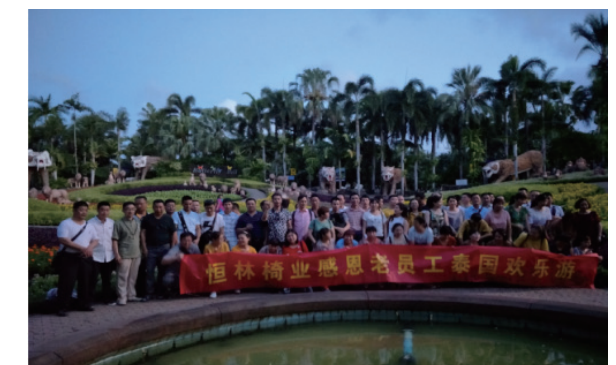
Mid-Autumn Festival Benefits



Dragon Boat Festival Benefits



Family Trips for Vietnamese Employees



Fun Tour in Thailand

Care for Employee Life

Henglin focuses on the physical and mental health of employees by offering comprehensive services: Organizing a variety of sports and cultural activities to enrich employees' lives; focusing on the welfare of female employees and steadfastly safeguarding their rights; and establishing a comprehensive assistance mechanism to help employees resolve difficulties and foster their development.

Employee activities

Henglin actively forms diverse youth clubs such as basketball teams, air volleyball teams, and dance teams, and hosts more than ten friendly matches; establishes a staff choir that has performed at the city and county May Day model worker award ceremony for three consecutive years; and organizes an annual corporate event to provide a platform for employees to showcase their talents.

The Second Staff Basketball Match of Henglin



Tug-of-war Competition



Staff Choir

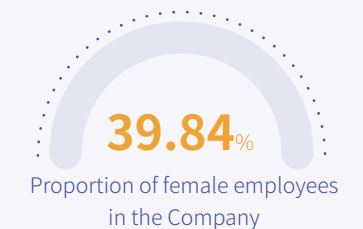
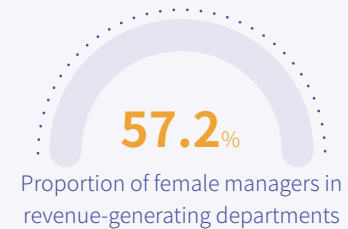
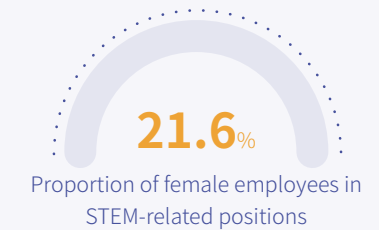
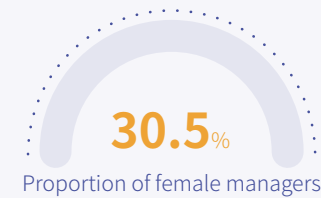


Large Annual Corporate Event



Care for Female Employees

Henglin cares for female employees, earnestly safeguarding their fundamental rights. Henglin provides maternity check leave, maternity leave, and nursing leave, and holds special events on International Women's Day to express care and respect for female employees. In addition, Henglin emphasizes female health training and provides free medical checkup services to ensure the physical health of female employees.



Case

Protecting Health and Radiating Beauty- Henglin's Female Employee Committee jointly with Anji Maternity & Child Healthcare Hospital conducts Health Checkup Activities on March 8!

On the 113th International Women's Day, Henglin organized an event themed "The Secret of the Body" and a Health Checkup for Female Employees on March 8. We also delivered a warm and considerate festival gift to our diligent and beautiful female colleagues.

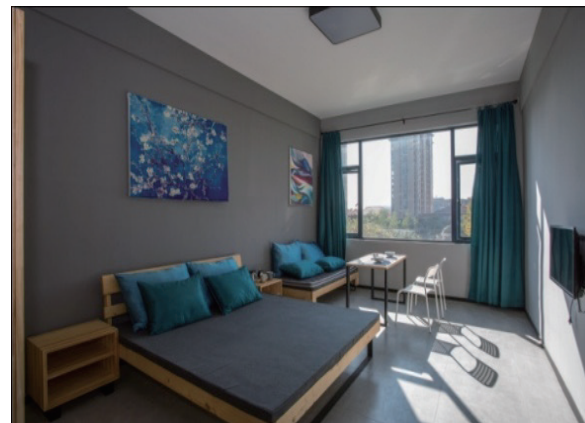


Employee Support

Henglin actively fosters a corporate culture of caring for employees, continually perfecting a normalized and long-term support mechanism. As of 2023, Henglin has contributed RMB 5,500,000 to the Henglin Charity Fund and RMB 3,500,000 to the Common Prosperity Fund to assist employees in distress and sponsor their children's university education; proactively coordinated with schools to solve admission difficulties for over 400 children of employees from other regions; advocated for employee participation in medical mutual aid, increasing participation to 3,600 people; and constructed Henglin Apartments, solving the accommodation issues for over a thousand employees.



◎ Henglin Charity Fund



◎ Henglin Apartments



Ensuring the Democratic Life of Employees

Democratic Governance

Henglin is committed to promoting grassroots democratic management, continually enhancing the grassroots democratic management system based on the Employee Congress and Labor Union. Through the Employee Congress, Henglin signs collective wage agreements, utilizing the Employee Congress and Labor Union as a bridge and link, consulting employees on matters that affect their immediate interests in advance and accepting their supervision afterward to ensure their rights to know and participate are fully protected to the extent possible.



◎ The 1st Session of the 3rd Employee (Member) Congress of Henglin



Number of projects approved by the Employee Congress/Labor Union

◎ Note: Data compilation encompasses Henglin headquarters, excluding subsidiaries.

Democratic communication

Henglin places great importance on communication with employees, and actively advocates employees to contribute wisdom and strength to our sustainable development through both online and offline channels.

Online channels

OA, Enterprise WeChat, and our Official WeChat Account

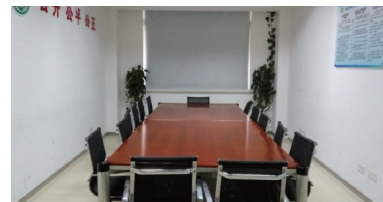
Offline channels

1. Additional employee reception rooms and suggestion boxes;
2. Working mechanisms such as conflict resolution rooms and employee reception days;
3. Symposium for foreign employees

Case

Henglin Labor Dispute Mediation

Henglin has set up a Labor Dispute Mediation Committee and established working mechanisms like mediation rooms and employee reception days, successfully mediating multiple frontline disputes and achieving a target of zero complaints in labor disputes.



Mediation room

Employee Satisfaction

Henglin regards our employees as the most valuable asset. We attentively listen to their voices, understand their expectations and demands, optimize the working environment, and enhance welfare and benefits to ignite their passion and creativity, thereby collectively propelling our sustainable development and innovation.

Key Performance

During the Reporting Period, Henglin conducted an internal employee satisfaction survey, achieving a satisfaction rate of **95.85%**.

Fostering Employee Growth

Improving Training System

Henglin firmly holds to the core belief that talent is the foremost resource for the enterprise, regarding employee development and training as the foundation for corporate growth. Henglin has established an *Employee Skills Training System* that comprehensively covers the organizational structure, key content, and management processes of corporate training, forming a systematic and scientific training mechanism. Based on this training system, our Human Resources Department prepares a detailed annual training plan at the end of each year, aligning it with our development plans and the actual conditions as well as the training needs of various departments. Our training is managed at two levels: the Human Resources Department formulates plans, while branches and functional departments are responsible for conducting multi-level, diverse, and multi-method training activities. This ensures comprehensive coverage and enhances the relevance and practicality of training content.

During the implementation of training, Henglin conducts comprehensive assessments and evaluations of training programs, covering course completion, trainee performance, teaching quality, and training organization work. Based on the performance in training assessments, appropriate rewards are given, and these are linked to salary increases to ensure the comprehensiveness and objectivity of training outcomes.

Strengthening Talent Development

Henglin continues to focus on strengthening our talent pool and places a high priority on employee training.

Trainers and Platforms

By nurturing grassroots managers and bringing in expert scholars and skilled masters, Henglin has built a high-quality training team primarily consisting of our employees, with external experts as supplementary resources. Additionally, we have established Henglin Academy, which includes the Red Collar Academy, Henglin Business School, and the Healthy Seating Product Research Institute, providing targeted education for employees at different levels, specialties, and categories, paving a new way for our Company to independently cultivate professional talents.



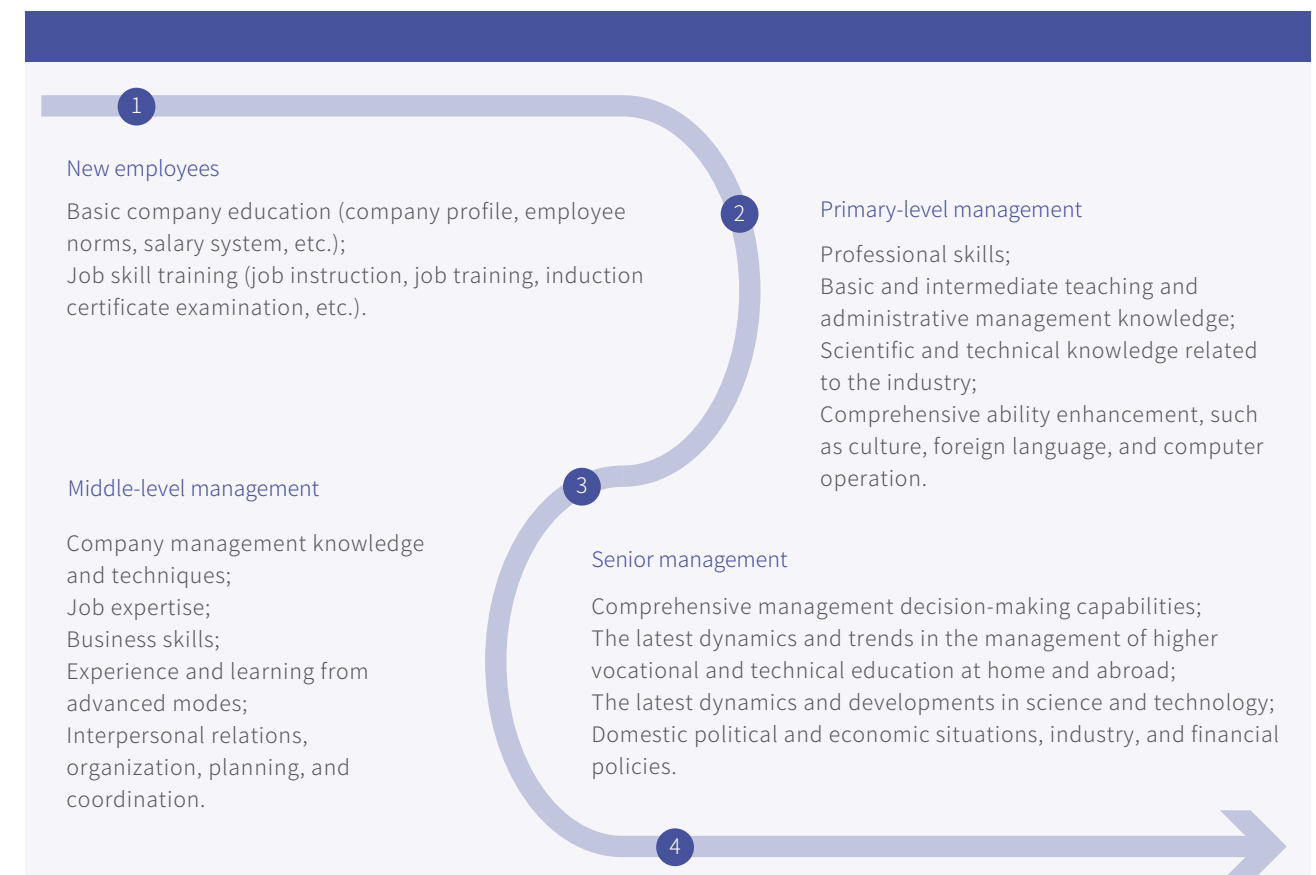
Business Training Organized by Henglin Business School



Training Sessions for Reserve Cadres

Tiered Training

Henglin conducts tiered training based on the different levels or positions of employees within the organization, ensuring that employees acquire skills and capabilities that match their job demands, enabling them to better face work challenges and opportunities.



Training Practices

In 2023, Henglin headquarters proactively launched a variety of employee training sessions that included three-tiered education programs for new hires, orientation training, labor relations and work-related injury management, as well as training on Level 3 Vocational Skill (Sewing Workers) Certification, among others. A total of 20 training sessions were held throughout the year, attracting participation from 861 person-times, with an average training duration of 22 hours per capita. Additionally, the headquarters offered various types of training, including management training, professional capability training, and leadership training.



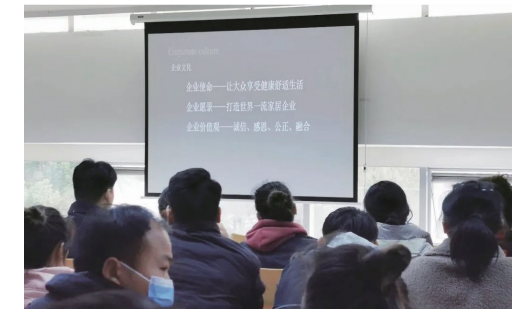
Note: Data compilation encompasses Henglin headquarters, excluding subsidiaries.



Case

First Session of New Employee Induction Training in 2023 at Henglin

On February 18, Henglin conducted our first session of new employee training for 2023, which included modules on corporate culture orientation, company policy interpretation, and safety production education. Through this training, new employees gained a comprehensive understanding of our policies and culture, significantly boosting their sense of collective honor, responsibility, sense of belonging, and sense of mission.

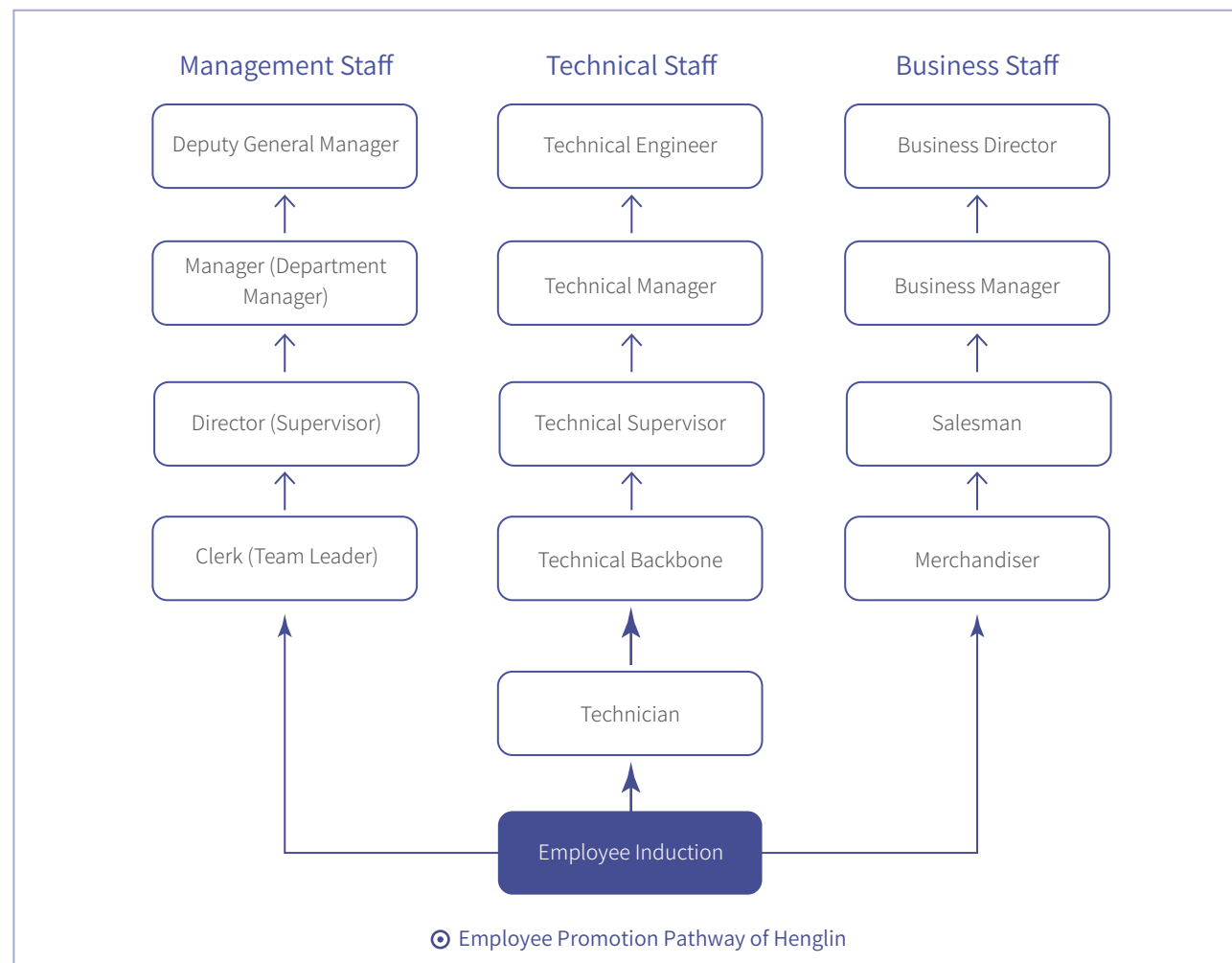


Training Development

Henglin encourages employees to participate in various forms of training relevant to their positions - such as knowledge, skills, qualifications, and academic education - without affecting their primary job responsibilities, and offers reimbursements or subsidies for registration fees, tuition (training fees), travel expenses, and accommodations.

Expanding Development Pathways

Henglin places high importance on each employee’s career growth and has thoroughly built and enhanced the training and development system for all levels of staff to ensure open career development pathways. By optimizing the job structure, Henglin expands development opportunities for employees and enhances the growth potential of professional talents. Henglin sets clear promotion pathways for employees to stimulate their intrinsic motivation and help them achieve self-worth while enhancing corporate competitiveness and providing solid support for the sustainable development of Henglin.



Henglin prioritizes internal recruitment over external recruitment, first considering internal employees, complemented by external hiring. In selecting suitable talent, Henglin considers factors such as employees’ training participation and past work performance. Additionally, we have implemented a competitive selection system for middle and senior management positions to ensure fair and just promotion opportunities.

Furthermore, to meet the needs of employee career development and strategic adjustments, Henglin establishes a job transfer process and provides training for new job skills, ensuring that employees’ capabilities match their job responsibilities. This facilitates mutual benefits for the organization and the individual, promoting our long-term stable development.

Key Performance

Our internal talent selection by job position represents **11.60%** of total, with **320** employees participating in internal applications.

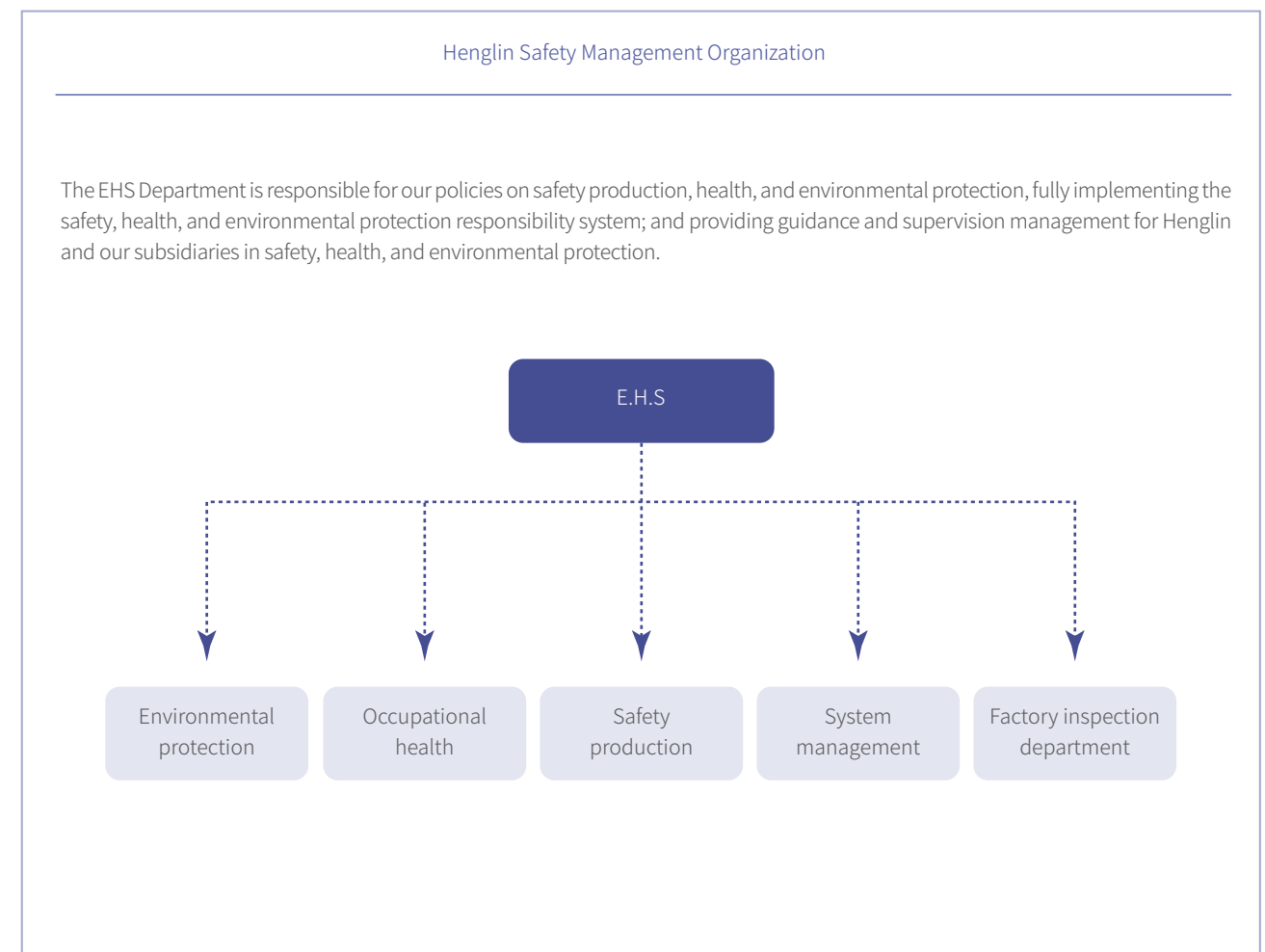
Paralleling Safety and Health

Safety Production Management

Henglin firmly adheres to the scientific concept of “Safety development”, diligently implementing the principle of “giving first place to safety, laying stress on prevention, taking comprehensive measures”. We fully assume our primary responsibility, actively improve safety production conditions, enhance the safety and technical quality of employees, further raise the management level of safety production, continuously reduce the number of various safety production incidents, and ensure safety in production.

Safety Production System

Henglin fully implements relevant laws and regulations, such as the *Law of the People's Republic of China on Work Safety*, the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and *Safety Production Regulations of Zhejiang Province*, and has formulated *Henglin Safety Production Goals, Occupational Disease Hazard Prevention Responsibility System, Safety Production Responsibility System*, which are compiled into the *EHS Manual and Quality, Environment, Occupational Health and Safety Management System Manual*. A system for the control of safety hazard inspection and safety prevention has been established. We adhere to treating both symptoms and root causes, implementing corporate primary responsibility for safety production, strengthening government supervision, improving the safety production management system, establishing a long-term safety production mechanism, and achieving sustained safety production.



Goals and Planning

To ensure safe production, Henglin has established detailed goals and plans aimed at enhancing safety awareness, strengthening management, and reducing accident rates. These goals are also our external commitment, reflecting our focus and determination toward safety production.



Targets for Safety Production in 2023 (partial)

- Prevent major incidents involving personnel injuries, fires, traffic, equipment, and other safety production accidents;
- Control the frequency of serious work-related injuries and occupational diseases to below 0.2‰;
- Control the frequency of minor injuries to below 2‰;
- Ensure that direct economic losses from fires, traffic, equipment, and others do not exceed RMB 10,000 (inclusive);
- Ensure that the rectification rate of hidden dangers of accidents is above 95% and the adoption rate of alternative measures to prevent accidents is 100%.



Safety Production Implementation Plan for 2023 (partial)

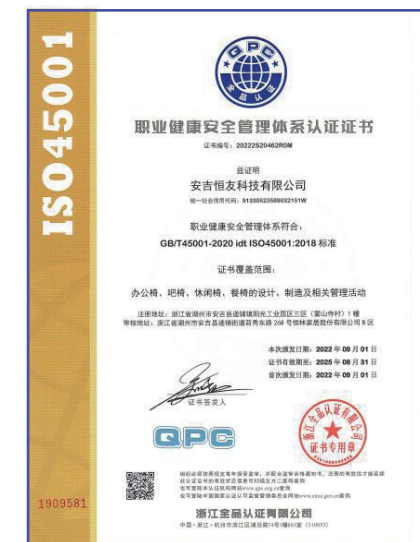
- Establish a safety production responsibility system to ensure management has goals and responsibilities are fulfilled;
- Improve the standardized management system for safety production and strictly enforce the *Law of the People's Republic of China on Work Safety*;
- Focus on safety education with a people-oriented approach, eliminate complacency, and enhance safety awareness.
- Strengthen safety inspections, focusing on critical parts and management blind spots;
- Strengthen assessments: Educate and strictly assess personnel who violate the rules of operation, command and labor discipline according to regulations.

System Certification

Henglin establishes and maintains an ISO 45001 Occupational Health and Safety Management System, continuously improving safety production management capabilities through standardized management systems. During the Reporting Period, Henglin and our subsidiaries have obtained certification for the aforementioned system.



Henglin



Hengyou Technology

Key Performance

Investment in safety production (RMB 10,000)

587.66

Number of safety production accidents (cases)

0

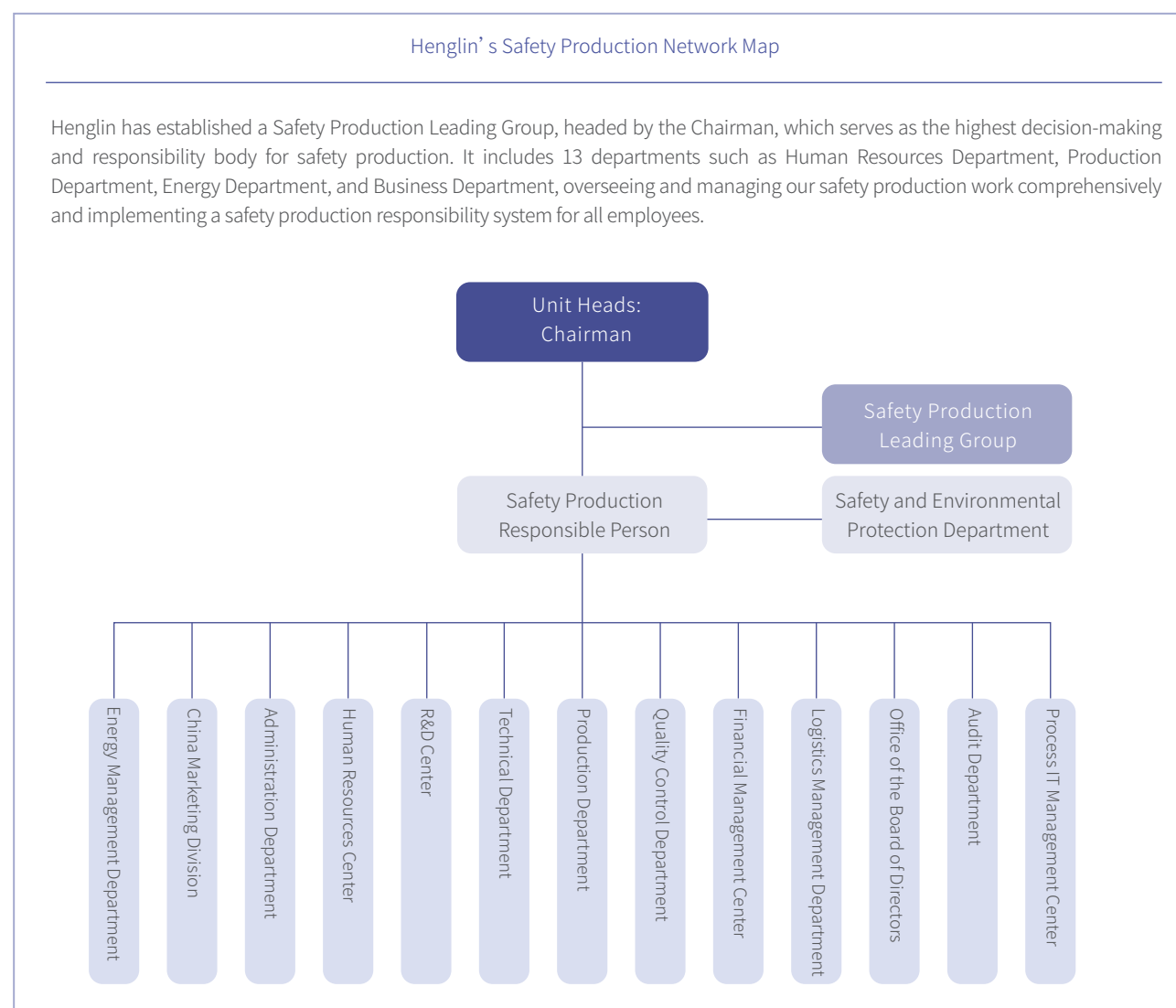
Number of work-related deaths (persons)

0

Safety Risk Management

Implementation of Production Responsibility

To enhance the sense of responsibility for production safety among responsible person at all levels of production and business units, functional departments and their staff, and production personnel, clarify their duties and responsibilities in production safety, and fully mobilize the enthusiasm and subjective initiative in production of personnel at all levels, Henglin has established the *Safety Production Responsibility System*. This system specifies the responsibilities of our main responsible persons, functional departments, and leaders at all levels. It strengthens our comprehensive safety management, effectively controls various types of casualty accidents and other major incidents, and prevents or reduces general safety accidents.



Key Performance

During the Reporting Period, our Chairman signed the *Safety Objective Responsibility Letter for Main Responsible Persons*, our department heads signed the *Department Safety Objective Responsibility Letter*, and all of our frontline production employees signed the *Employee-level Safety Objective Responsibility Letter*.

Safety Assessment Mechanism

Henglin attaches great importance to safety production management. To establish and improve a long-term mechanism for safety production management with safety as the top priority and prevention as the main focus, we adhere to the principle of “whoever is in charge should be responsible”. We have formulated the *Safety Production Responsibility Objective Assessment Form for the Management of Each Department* and the *Employee Safety Production Objective Assessment Form* and established an assessment mechanism linked to compensation. Based on the assessment results, individuals and departments that have excellently fulfilled safety responsibility objectives are commended and rewarded, while those who have not met the objectives are criticized and required to take corrective actions to ensure safety production.

Identification of Hidden Hazards

To further standardize safety production management, focus on eliminating hidden dangers at an early stage, and in line with our actual situation, Henglin has implemented grid management of safety production. We have divided safety management areas into unit grids according to certain standards and clarified the responsible persons for safety management for each unit grid. Through the enhanced inspection and handling of hidden dangers in safety within unit grid areas by responsible persons, we have established daily supervision and implementation mechanisms for safety management.

Key Performance

During the Reporting Period, Henglin conducted **52** safety inspections and thoroughly investigated and identified several potential risk points. Comprehensive rectifications have been carried out on these risk points, achieving a rectification rate of **100%**.

Safety Emergency Management

To implement the requirements of the applicable laws and regulation, such as the *Emergency Response Law of the People's Republic of China*, the *Law of the People's Republic of China on Work Safety*, the *Measures for the Administration of Contingency Plans for Work Safety Accidents*, and protect the personal safety of our employees and reduce property losses, ensuring the rapid, effective, and orderly implementation of emergency rescue work after accidents, Henglin has specially formulated the *Henglin Safety Production Contingency Plan*, and our major subsidiaries have respectively formulated their own *Safety Production Contingency Plan*, covering any possible emergency major incidents. Our accident contingency plans are in line with the principles of “putting people first, giving first place to safety, unifying command, assuming responsibilities by grades, responding rapidly, acting decisively, laying stress on prevention, and adapting to both times of peace and times of crisis” and seamlessly connected with higher-level government safety production accident contingency plans.

To test the feasibility of the *Safety Production Contingency Plan*, eliminate the hidden dangers of fire, and ensure that “Everyone Speaks of Safety, Everyone Knows Emergency Response”, Henglin holds firefighting drills every June, allowing our employees to learn about fire knowledge and the use of firefighting equipment, as well as master firefighting and evacuation skills and precautions.

Case

Fire Evacuation Drill in June 2023

To further enhance the safety and fire awareness of all employees in the factory and safeguard the security of the factory property, Henglin conducted this large-scale firefighting drill. This firefighting drill further strengthened everyone's awareness of prevention and self-rescue capabilities, enabling them to understand and master basic operations such as identifying dangers and taking necessary emergency measures to respond quickly, orderly, timely, and effectively in the event of an accident.



Safety Knowledge Explanation



On-site Operation Demonstration of Firefighting Equipment

◎ Key Performance

During the Reporting Period, Henglin headquarters organized **2** safety emergency drills.

Chemical management

Henglin attaches great importance to safety production and environmental protection and has formulated management regulations such as the *Hazardous Chemical Safety Management System*. Henglin strictly implements relevant management regulations to ensure effective storage and control measures are implemented during the storage and use of hazardous chemicals, to avoid possible personal injury and property loss, fully demonstrating our sense of social responsibility and environmental commitment.

Safety Education and Training

Henglin highly values employee safety education and training, considering it as an important cornerstone of enterprise development. In order to enhance employees' safety awareness and skills, we have vigorously carried out a series of effective safety production education activities. During the Reporting Period, we have successfully organized more than 20 safety education and training sessions, ensuring that all employees benefit from them.



◎ New Employee Education and Training



◎ Group Security Personnel Training

◎ Key Performance

Sessions of safety education and training (times)

26

Coverage rate of safety education and training (%)

100

Total hours of safety education and training (in hours)

450.5

Coverage rate of safety risk protection training (%)

100

◎ Note: Data compilation encompasses Henglin headquarters, excluding subsidiaries. Among them, the total hours of safety education and training include a three-day safety awareness training.

Occupational health management

Henglin values the physical and mental health of all employees and is committed to providing employees with a safe and healthy work environment to prevent work-related injuries and health damage.

To comply with national regulations on the prevention and control of occupational diseases, strengthen the management of occupational disease prevention and control, improve the level of prevention and control, and effectively ensure the health and safety of workers, we adopt the policies of "ensuring health and safety production; upholding people orientation and sustainable development; adhering to compliant operation and continual improvement" for the prevention and control of occupational diseases. We implement classified management and comprehensive control of health risks in the production environment. In accordance with the relevant provisions of the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the *Provisions on the Supervision and Administration of Occupational Health at Work Sites*, we have formulated the *Occupational Health Management System* for all employees, implementing the principle of "production oversees must oversee work safety" and "production oversees must oversee the prevention and control of occupational diseases", forming the working mechanism of assigning responsibilities to all levels, ensuring each department assumes their responsibilities, properly preventing and controlling occupational hazards, and promotion the sustainable development of production.

Henglin comprehensively and systematically safeguards employees' occupational health, enhancing employees' safety awareness through warning, promotion, education, and training, regularly maintaining and repairing occupational disease prevention and control facilities, and standardizing the management process of protective equipment. We implement a scientific and systematic monitoring and evaluation system to ensure that construction projects meet occupational health standards. Moreover, Henglin establishes a system for managing workers' occupational health records, realizing the dynamic management of health information and building a scientific and efficient emergency response mechanism to rapidly respond to occupational disease hazard accidents.

Health Checkup

In 2023, Henglin organized health checkups for both new and existing employees. Through rigorous occupational health checkups, we identified 39 employees as being at occupational risk. To address this, we strictly cross-check with the Human Resources Department before each checkup, and after the checkup, properly handle the at-risk employees by notifying them and transferring them to other positions, ensuring their health and safety.

◎ Key Performance

During the Reporting Period, Henglin organized **23** sessions of occupational health checkups.



Health Monitoring

Henglin conducts long-term periodic occupational health monitoring of employees, establishes an occupational health ledger, and conducts targeted pre-job, on-the-job and off-the-job occupational health checkups for employees. In addition, in accordance with the ISO 45001 Occupational Health Management System and IKEA IWAY Standard, Henglin arranges annual workplace occupational hazard factor detection to identify positions with hazards. Employees in these positions are required to sign an *Informed Consent Form for Position Risks* and are provided with corresponding safety protection equipment.

Henglin actively organizes internal audits and management reviews, conducts risk identification and assessment (the identification and evaluation of hazards), identifies on-site risks, and posts risk notification signs at locations with occupational health and safety risks.

Key Performance

Percentage of special operators licensed

100%

Pass rate of occupational disease hazard detection

100%

Detection rate of occupational disease hazards

100%

Number of new occupational diseases

0

Contributing to Social Welfare

Henglin upholds a strong sense of social responsibility, closely follows national policy guidelines, and deeply integrates the concept of social sharing into our daily operations. We are enthusiastic about public welfare and give back to society with practical actions, demonstrating our sincerity and responsibility. We always stay grounded, and with a pragmatic spirit, fulfill corporate social responsibility and contribute to social progress.

Since 2021, Henglin has conducted the One-Day-Donation Campaign for three consecutive years. Chairman Wang Jianglin took the lead by setting an example in contributing to charitable causes, and all employees enthusiastically participated. Together, they supported common prosperity and social welfare initiatives through practical actions, cumulatively donating nearly RMB 5,000,000.

During the Reporting Period, Henglin established the Xiaofeng Henglin Education Fund with RMB 6,000,000 to promote the vigorous development of education in Xiaofeng Town. The fund set up scholarships, teaching awards, and student assistance funds, among other educational public welfare projects. As of now, Henglin has cumulatively donated nearly tens of millions in cash and materials and our volunteers have conducted condolence activities at Baofu Elderly Care Home for six years. Henglin has been committed to promoting rural revitalization and contributing to the common prosperity of Anji. We firmly believe that through our efforts, we can help more students realize their dreams and jointly create a better future.

Case

One-Day-Donation Campaign of Henglin

On the afternoon of September 16, 2023, Henglin organized the 2023 One-Day-Donation Campaign, encouraging employees to actively participate and create a good atmosphere where everyone cherishes charity and participates in charity. At the donation ceremony, employees at all levels responded one after another, donating money in turn, gathering the charitable power of the Henglin family to help build a beautiful international green city in Anji. As of 2023, the One-Day-Donation Campaign has raised nearly RMB 5,000,000 in donations.



Case

Establishment of Xiaofeng Henglin Education Fund

On the morning of April 24, 2023, the establishment ceremony and donation launch of the Xiaofeng Henglin Education Fund were held in the auditorium of Xiaofeng Primary School. Henglin donated RMB 6,000,000 to the Xiaofeng Henglin Education Fund to support the development of education in Xiaofeng Town. The fund set up scholarships, teaching awards, and student assistance funds, among other educational public welfare projects.





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Feedback Form

Dear readers,

Thank you for reading this report. We highly value and look forward to hearing your feedback on this report. Your opinions and suggestions are important bases for us to continually enhance our ESG information disclosure practices and promote ESG management and initiatives. We welcome and sincerely appreciate your valuable comments!

1. Your overall assessment of our performance in ESG:

Very Good Good Average Below Average Poor

2. Your overall assessment of the report:

Very Good Good Average Below Average Poor

3. How do you think we have communicated with stakeholders?

Very Good Good Average Below Average Poor

4. How do you think we have fulfilled our product responsibilities?

Very Good Good Average Below Average Poor

5. How do you think we have performed in terms of environmental, safety, and occupational health?

Very Good Good Average Below Average Poor

6. How do you think we have fulfilled our employee responsibilities?

Very Good Good Average Below Average Poor

7. How do you think we have performed in terms of ESG?

Very Good Good Average Below Average Poor

8. Any comments or suggestions on our ESG performance and this report?

You can contact us through the following modes:

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Tel: 0572-5227673

Email: hlgf@zjhenglin.com

