



Address: No. 69, Tian Hu South Road, Qujiang District, Quzhou, Zhejiang Province
Tel: 0570-2833055
Fax: 0570-2931631
Website: www.xianhepaper.com
Email: zqb@xianhepaper.com

2025 PAPER MAKE IT HAPPEN
Xianhe Co., Ltd. Sustainability Report

REGARDING THIS REPORT

Overview

The “Xianhe Co., Ltd. 2025 Sustainability Report” is the fifth consecutive sustainability report published by Xianhe Co., Ltd., and also the Company’s seventh non-financial information report. It aims to systematically describe the Company’s principles and philosophies, management approaches, and performance achievements in the field of sustainable development.

Report Scope

The scope of this report is consistent with the Company’s annual report and covers Xianhe Co., Ltd. and its subsidiaries within the consolidated group. This report is an annual report covering the period from January 1 to December 31, 2025. Some content extends beyond the above-mentioned scope; such cases are noted where applicable.

Compilation Basis

This report is prepared in accordance with the “Shanghai Stock Exchange Self-Regulatory Guidance No. 14 for Listed Companies Sustainability Reporting (Trial)” and the “Shanghai Stock Exchange Self-Regulatory Guidelines No. 4- Preparation of Sustainability Reports,” and draws upon the “GRI Sustainability Reporting Standards” issued by the Global Sustainability Standards Board (GSSB), the standards of the Sustainability Accounting Standards Board (SASB)- namely, the Containers & Packaging Sustainability Accounting Standard and the Pulp & Paper Products Sustainability Accounting Standard - as well as the IFRS® Sustainability Disclosure Standard released by the International Sustainability Standards Board (ISSB). In addition, this report also incorporates selected recommendations from the ISO 26000:2010 Guidance on Social Responsibility, published by the International Organization for Standardization (ISO).

Data Description

The data, management mechanisms, and case studies presented in this report are derived from the Company’s original records or financial reports from its actual operations. All financial data in this report are expressed in Renminbi. In cases where there are discrepancies between the financial data in this report and the Company’s annual financial statements, the annual financial statements shall prevail.

Reliability Statement

Xianhe Co., Ltd. hereby confirms that this report contains no false records, misleading statements, or material omissions. The Company’s board of directors assumes individual and joint liability for the authenticity, accuracy, and completeness of the content.

Names and Abbreviations Used in This Report

Xianhe Co., Ltd.	Xianhe, Xianhe Co., Ltd., Xianhe Group, Our Company, We
Zhejiang Zhefeng New Materials Co., Ltd.	Zhefeng New Materials
Zhejiang Hefeng New Materials Co., Ltd.	Hefeng New Materials
Zhejiang Tangfeng Special Paper Co., Ltd.	Zhejiang Tangfeng
Henan Xianhe Special Pulp and Paper Co., Ltd.	Henan Xianhe
Zhejiang Zhefeng Energy Development Co., Ltd.	Zhefeng Energy
Zhejiang Xianhe New Energy Co., Ltd.	Xianhe New Energy
Guangxi Xianhe New Materials Co., Ltd.	Guangxi Xianhe New Materials
Guangxi Xianhe Forestry Co., Ltd.	Guangxi Xianhe Forestry
Guangxi Xianhe Energy Development Co., Ltd.	Guangxi Xianhe Energy
Hubei Xianhe New Materials Co., Ltd.	Hubei Xianhe New Materials
Hubei Xianhe Thermal Energy Co., Ltd.	Hubei Xianhe Energy
Zhejiang Xianlu New Materials Co., Ltd.	Xianlu New Materials
Zhejiang Korai New Materials Co., Ltd.	Korai New Materials
Kingdecor (Zhejiang) Co., Ltd.	Kingdecor

Availability of This Report

This report is issued in both printed and electronic formats. The printed version is archived in the Company’s securities department. The electronic version is available on the Company’s official website (<http://www.xianhepaper.com>) and the Shanghai Stock Exchange website (<http://www.sse.com.cn>).

Contact Information

We encourage all stakeholders to provide suggestions or feedback on our Company’s sustainable development and social responsibility management efforts. For any related inquiries, please contact zqb@xianhepaper.com.

CATALOGUE

ABOUT THIS REPORT 01

CHAIRMAN'S SPEECH 05

ABOUT US

Company Profile 07

Corporate Culture 08

2025 Milestones 09

Key Performance Indicators for Sustainable Development in 2025 11

SUSTAINABILITY MANAGEMENT

Sustainable Development Strategy 13

Sustainable Development Management Framework 16

Stakeholder Communication 17

Materiality Analysis 18

KEY PERFORMANCE TABLE 107

INDEX OF INDICATORS 114

FEEDBACK FORM 118

GREEN AND LOW-CARBON CIRCULAR DEVELOPMENT

Environmental Management	21
Climate Action	24
Water Resources Management	33
Pollution Control	35
Resource Circularity	40
Ecological Protection	40

QUALITY FIRST WIN-WIN COOPERATION

Commitment to Innovation-Driven Development	43
Strict Quality Control	48
Provision of High-Quality Services	54
Connecting to a Green Future	58
Supporting Industry Development	65

PEOPLE-ORIENTED AND SHARED PROSPERITY

Employee Benefits and Welfare	69
Employee Growth and Development	77
Employee Health and Safety	84
Philanthropy and Social Contribution	89

PRAGMATIC IMPLEMENTATION AND SOLID FOUNDATION BUILDING

Corporate Governance	93
Compliance Management	96
Business Ethics	103
Risk Management	106

01

02

03

04

CHAIRMAN'S SPEECH



Chairman of Xianhe
Corporation
Mr. Minliang Wang

Dear stakeholders, partners, and colleagues :

Xianhe Co., Ltd. has always adhered to the philosophy of sustainable development, regarding it as a vital pillar of the Company's long-term success. In 2025, we not only remained committed to building a green and efficient business system, but also further advanced the integrated development of the "forest-pulp-paper" and "bamboo-pulp-paper" industrial chains. This is not only a key strategy for enhancing control over raw material supply and strengthening supply chain resilience, but also a concrete step toward deeply integrating green management, carbon sequestration and emissions reduction, and rural revitalization. We firmly believe that only by positioning corporate value within the broader context of environmental sustainability and social harmony can we achieve our long-term vision of sustainable development.

Green development, circular coexistence. We steadfastly uphold our environmental commitments, actively promoting the comprehensive use of clean energy sources such as photovoltaics and biomass. We promote low-carbon, low-energy-consumption technologies and equipment across all production processes, continuously optimizing energy efficiency, and striving to reduce resource consumption and greenhouse gas emissions, thereby contributing to global climate goals. At our Guangxi and Hubei bases, we closely integrate scientific forest management, green production, and the recycling and reuse of waste and pollutants, building a circular industrial ecosystem that enables efficient resource flow and promotes sustainable development.

Innovation-driven, win-win future. We view innovation as a vital source of core competitiveness, continuously pursuing R&D in new products and technologies to enhance product value and competitiveness. We work closely with global customers to deliver high-quality, sustainable product solutions. We have established a full-process quality control system covering raw material procurement, production processes, and finished product testing, and we leverage digital and intelligent technologies to build smart workshops, enabling real-time monitoring and scientific scheduling of production processes to ensure efficiency and stability. We continuously strengthen supply chain risk management and safety mechanisms. Through deep collaboration across the value chain, we work with upstream and downstream partners to fulfill environmental and social responsibilities, building a robust and sustainable industrial ecosystem.

People Development and Social Contribution. We respect and protect the legitimate rights and interests of every employee, having established a fair and equitable compensation and benefits system. We also

provide various living amenities and diverse cultural and sports activities, striving to foster a warm "family culture." Through school-enterprise cooperation models such as targeted training programs, we nurture emerging talent, supported by a comprehensive training system and clear career advancement paths, helping employees realize their potential in their professional journeys. We adhere to a localized employment strategy, promoting the coordinated development of upstream and downstream industries and effectively boosting regional economic growth and public welfare. At the same time, we actively engage in charitable endeavors, extending care and warmth to society.

Sound Governance for Steady Growth. Sound and effective corporate governance is the cornerstone of our sustainable development. We continuously optimize our governance structure and strengthen internal control mechanisms to ensure compliance in all business activities and maintain stable operations. We have established a risk prevention and control system covering all business processes, strengthening internal auditing and process monitoring to identify and mitigate various operational risks, thereby enhancing business resilience. We resolutely oppose unethical business practices, have established a robust internal reporting mechanism, and regularly conduct anti-corruption training for employees, upholding fair and just business order.

Looking ahead, Xianhe Co., Ltd. will assume greater responsibility, continuously achieving breakthroughs in green development, technological innovation, and industrial collaboration. Together with all partners, we will work together for mutual success and shared value, making even greater contributions to the high-quality development of the industry and the sustainable progress of society.

ABOUT US

COMPANY PROFILE

Xianhe Co., Ltd. is a leading domestic enterprise engaged in the R&D and manufacturing of high-performance paper-based functional materials. Its principal business includes the R&D, production, and sales of high-performance paper-based functional materials, as well as their pulp-based raw materials and chemical raw materials. The Company's paper-based functional material products comprise more than 60 varieties across six major product series, including food and medical packaging materials, supporting materials for the tobacco industry, home decoration materials (including products of its joint venture Kingdecor), business communication and publishing and printing materials, electrical and industrial paper materials, and daily consumer materials. At the same time, with paper-based functional material R&D and manufacturing at its core, the Company has actively expanded into chemical materials, industrial water treatment, solid waste treatment, and clean energy, driving the development of its new materials and new energy businesses. It has also gradually extended its operations into logistics and consumer-oriented products, and is committed to building an integrated industrial ecosystem across the upstream and downstream value chain. The Company has six production bases across China, located in Qujiang, Zhejiang; Changshan, Zhejiang; Neixiang, Henan; Laibin, Guangxi; Shishou, Hubei; and Hejiang, Sichuan (under construction).

Company Name: Xianhe Co., Ltd.

Company Name in English: Xianhe Co., Ltd.

English Name Abbreviation: Xianhe

Stock Code: 603733

Company Headquarters: Quzhou City, Zhejiang Province, China



CORPORATE CULTURE

The Company adheres to the mission of "creating wealth and serving society," with the vision of "Century Xianhe, Sustainable Development." Upholding the artisan spirit of "unity of knowledge and action, and intelligent craftsmanship," it is guided by "family culture" and strives to become a global leader in the high-performance paper-based functional materials industry through sustainable and high-quality development.

Mission

Leveraging the integrated "forest-pulp-paper" strategy to deliver the best total solutions in the global high-performance paper-based functional materials field, and to establish ourselves as a world-class pacesetter in the specialty paper industry

Vision

Century Xianhe, sustainable development

Purpose

Create wealth, serve society

Spirit

Integrity, efficiency, innovation, and striving for excellence

The Essence of Xianhe's "Family Culture"

Treat employees as family members, allow them to share in the Company's growth and success, and take good care of this "small family"

Rely on managers and employees, and advocate loyalty and dedication, discipline and order, teamwork, and independent innovation to build the enterprise into a strong "big family"

Fulfill social responsibilities, become an enterprise respected by society, and contribute to the nation

Core Value

People-oriented, family as the foundation

Harmony as the priority, virtue as the principle

2025 MILESTONES

January 2025

- Zhefeng New Materials was awarded the title of 'Little Giant' by the Zhejiang Provincial Department of Economy and Information Technology.
- The PM3 papermaking production line of Guangxi Xianhe Phase I project has successfully commissioned and put into operation.

February 2025

- Xianhe Co., Ltd. was awarded the Qujiang District 'Five Cities' Construction Special Contribution Award by the Office of the People's Government of Qujiang District, Quzhou City.
- Xianhe Co., Ltd. met the requirements for establishing a new workstation, and its filing for the establishment of a "Postdoctoral Research Workstation" was approved by the Office of the National Postdoctoral Management Committee.
- Xianlu New Materials was awarded the "Zhejiang Innovative SME" certificate by the Zhejiang Provincial Department of Economy and Information Technology.
- Korai New Materials was honored as one of the first batch of 'Industrial Investment Stars' by Changshan Outstanding Contribution Enterprises.
- Zhefeng New Materials received the 2024 Special Prize for Striving Progress by Quzhou Mayor, specifically recognized for its 'Openness Enhancement Award'.

March 2025

- Xianhe Co., Ltd. was awarded the title of 'National Civilized Unit' for the seventh time by the Central Leading Group for Publicity, Ideological and Cultural Work.
- The Xianhe Party Committee was awarded the honorary title of 'Advanced Primary level Party Organization' in Quzhou Intelligent Manufacturing New City for 2024 by the CPC Quzhou Intelligent Manufacturing New City Working Committee.
- The PM4 papermaking production line of Hubei Xianhe Phase I project has successfully commissioned and put into operation.
- Hubei Xianhe New Materials Co., Ltd. established the Party Branch Committee of Hubei Xianhe New Materials Co., Ltd.

April 2025

- Xianhe Co., Ltd. was honored with the titles of '2024 Private Enterprise Revenue Leader' and '2024 High-Quality Development Enterprise' at the 6th Quzhou Human Development Conference.
- Xianhe Co., Ltd. has been included in the eighth batch of "Pacesetter" enterprises for domestic and foreign trade integration cultivation list released by the Zhejiang Provincial Department of Commerce.
- Hubei Xianhe New Materials was awarded the 'Jingzhou May 1st Labor Certificate' by the Jingzhou Federation of Labor Unions.
- The PM1 papermaking production line of Guangxi Xianhe Phase I project has successfully commissioned and put into operation.
- Mr. Minliang Wang, Chairman of Xianhe Co., Ltd., has been awarded the Special Government Allowance by the State Council.
- Guangxi Xianhe New Materials participated in the 5th Workers' Sports Meet organized by Laibin City Labor Unions, securing second place in the mixed-gender tug-of-war competition within the corporate division.

May 2025

- Xianhe Co., Ltd. was awarded the title of '2025 Zhejiang Provincial Advanced Intelligent Factory' by the Zhejiang Provincial Department of Economy and Information Technology.

June 2025

- The project on key technologies for green manufacturing and industrial application of high-performance medical packaging paper by Xianhe Co., Ltd. was awarded the "Second Prize" honor certificate of the Innovation Award for Invention Entrepreneurship by the China Invention Association.
- Xianhe Co., Ltd. and the People's Government of Hejiang County, Sichuan Province officially signed the Investment Agreement for the Integrated High-Performance Paper-Based New Materials Project for Bamboo Pulp Paper.

July 2025

- Zhefeng New Materials was included in the '2025 Municipal Manufacturing Enterprise Technology Centers List of Quzhou City' released by the Quzhou Municipal Bureau of Economy and Information Technology.

July and August 2025

- The Xianhe Labor Union and the General Labor Unions of Intelligent Manufacturing New City jointly organized a two-phase summer care program for children.

August 2025

- Both Zhefeng New Materials' 5G fully connected factory and Korai New Materials' 5G release paper production facility have been included in the '2025 5G Factory Directory' released by the Information and Communication Management Bureau of the Ministry of Industry and Information Technology.

September 2025

- Xianhe's food-grade interleaving paper for stainless steel sheets was awarded the "2025 Excellent New Industrial Product of Zhejiang Province" certificate by the Zhejiang Provincial Department of Economy and Information Technology.
- Zhefeng New Materials has been awarded the EcoVadis Gold Certification.
- To commemorate the great victory of the War of Resistance against Japan and promote the great spirit of the War of Resistance, the Xianhe Party Committee organized all party members to watch the "September 3rd" military parade ceremony.
- The Xianhe Party Committee organized the viewing of the film 'Unit 731' and conducted patriotic education activities.



October 2025

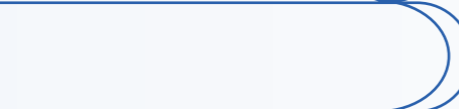
- The artificial intelligence application scenario of Xianhe Smart Workshop won the "Outstanding Innovation Award" at the inaugural 2025 AI+Industrial Scenario Application Competition across four provinces and nine cities, and was included in the "2025 Zhejiang Province AI Application Scenarios, Benchmark Enterprises, AI Service Providers, and Digital Intelligence Excellence List" released by the Zhejiang Provincial Department of Economy and Information Technology.
- Zhefeng New Materials was honored as a 'Seventh Batch of Specialized, Refined, Unique and Innovative Little Giant Enterprises' by the Department of Economy and Information Technology.
- The PM5 papermaking production line of Guangxi Xianhe Phase I project has successfully commissioned and put into operation.
- Guangxi Xianhe New Materials has been awarded the three-system certifications: Quality Management System (ISO 9001), Occupational Health and Safety Management System (ISO 45001), and Environmental Management System (ISO 14001).
- Guangxi Xianhe New Materials obtained the FSC Forest Certification.
- Guangxi Xianhe New Materials has upgraded its employment poverty alleviation workshop to a rural employment factory.

November 2025

- The project on the development of high-efficiency energy-saving magnetic levitation turbine intelligent vacuum system by Xianhe Co., Ltd. and its application in large-scale paper machines was awarded the "14th Five-Year Plan" Advanced Scientific and Technological Innovation Achievement Certificate in Light Industry by the China National Light Industry Council.
- Xianhe Co., Ltd.'s magnetic suspension technology application was recognized as a "2024 Specialty Paper Industry Chain Innovation Case - Green and Low-Carbon Case" by the China Technical Association of the Paper Industry (CTAPI).
- Xianhe Co., Ltd. was selected by the Zhejiang Provincial Department of Economy and Information Technology as one of the "Third Batch of Eagle Enterprises in Zhejiang Province."

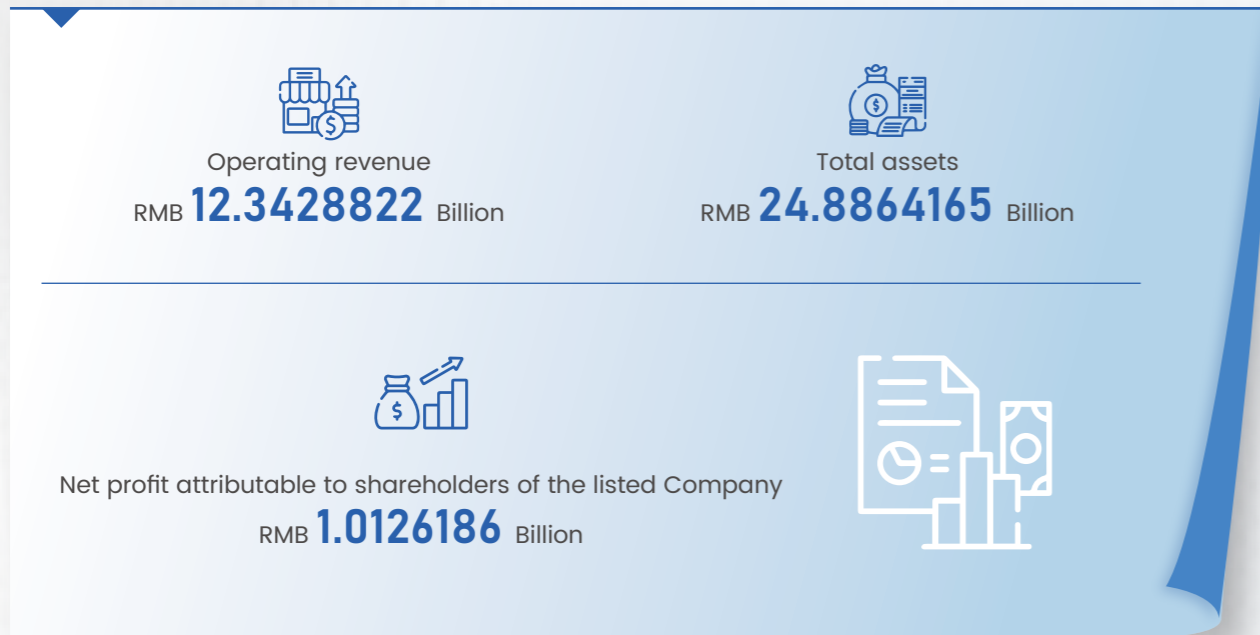
December 2025

- Zhefeng New Materials has been selected for the "National Typical Cases of Power Demand-Side Management in the Industrial Sector (2025 List)" issued by the General Office of the Ministry of Industry and Information Technology of the People's Republic of China.
- Guangxi Xianhe Forestry has obtained the Forest Management Certification.
- Hubei Xianhe New Materials hosted the Xianhe 2025 Sublimation Base Paper Distributors Exchange Conference.



KEY PERFORMANCE INDICATORS FOR SUSTAINABLE DEVELOPMENT IN 2025

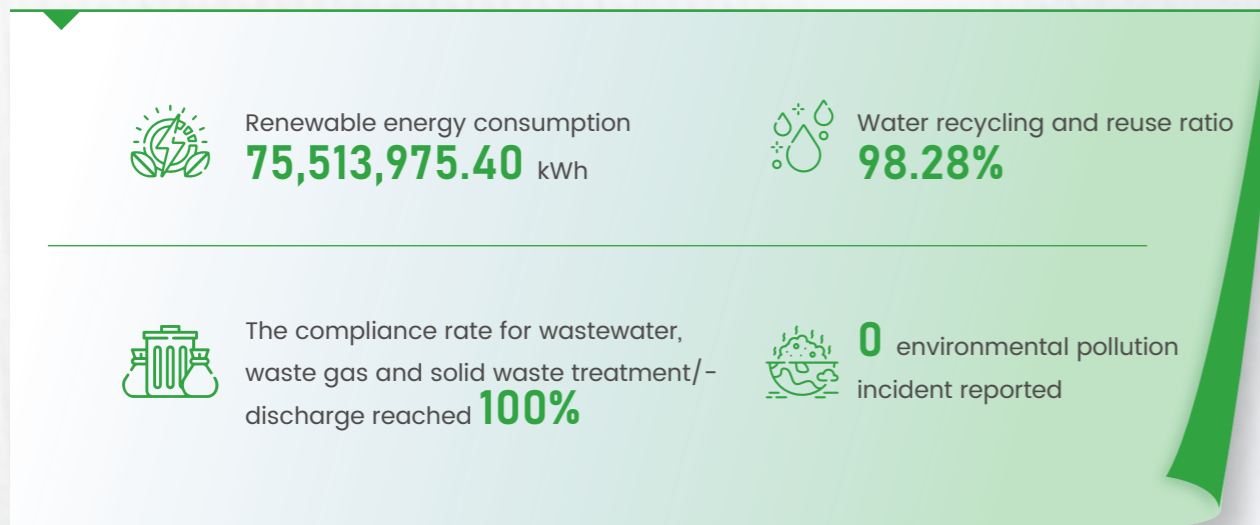
Financial Performance



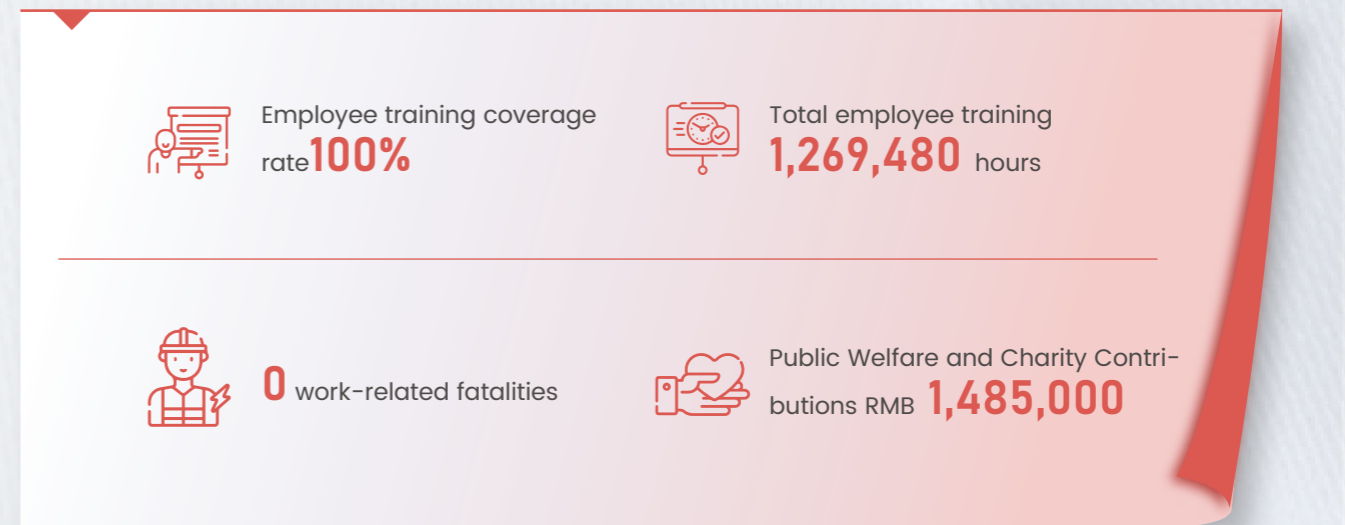
Quality First, Win-Win Cooperation



Green Development and Low-Carbon Transformation



People-Oriented and Shared Prosperity



SUSTAINABILITY MANAGEMENT

SUSTAINABLE DEVELOPMENT STRATEGY

Xianhe's Six Major Responsibility Strategic Initiatives



United Nations Sustainable Development Goals	Company Actions
 <p>End poverty in all its forms everywhere</p>	<p>Xianhe actively recruits local personnel in Guangxi and Hubei, fully utilizing local human resources to drive employment and inject vitality into regional economic development. Meanwhile, in Henan, the Company has established poverty alleviation workshops, helping people in need find employment close to their homes, increase their incomes, and advance poverty reduction efforts.</p> <p>Through annual, ongoing donations, Xianhe supports various public welfare initiatives, including assisting students from financially disadvantaged families to complete their education, caring for the elderly living alone to improve their quality of life, and delivering warmth and compassion. In doing so, the Company contributes to building a harmonious society.</p>
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>The Company prioritizes the holistic development of its employees by providing an excellent learning platform, formulating targeted training programs tailored to the needs of different positions, and actively supporting employees in continuing education to continuously enhance their professional skills and overall competencies.</p>
 <p>Achieving gender equality and empowering all women and girls</p>	<p>Adhere to the principle of gender equality, respect women's rights, and ensure that female employees enjoy equal treatment with male employees in economic, social and political spheres.</p> <p>A Women's Workers Committee was established to specifically safeguard the rights and interests of female employees. This committee was awarded the honor of the second batch of "Distinctive Women's Workers' Work Brands" by the Office of the Zhejiang Provincial Labor Unions Women's Workers Committee.</p>
 <p>Clean drinking water and sanitation</p>	<p>The Company consistently prioritizes the sustainable use of water resources, strictly controls water consumption, sets clear water-saving targets, and establishes a red line for water usage to ensure rational water use across all processes.</p> <p>The Company continuously upgrades its wastewater treatment facilities, strictly treats pollutants in accordance with environmental protection requirements, implements full-process monitoring, and conducts regular water quality testing to ensure compliance with discharge standards.</p>
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>The Company actively plans its new energy industry layout, establishing entities such as Xianhe New Energy, Zhefeng Energy, Guangxi Xianhe Energy, and Hubei Xianhe Energy, which focus on distributed photovoltaic power generation, electricity sales services, and thermal energy supply to drive sustainable development.</p> <p>Since 2014, the Company has utilized solar photovoltaic power generation equipment, deploying PV systems across all production parks to effectively supplement production energy needs.</p>

United Nations Sustainable Development Goals	Company Actions
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>The Company champions its "Family Culture" by creating employment opportunities in the communities where it operates, building a safe and livable working environment for employees, and continuously enhancing their sense of well-being and happiness in life.</p> <p>Over the years, the Company has consistently promoted the flourishing of education and provided solid support for youth development through initiatives such as establishing education funds, awarding the Wang Bendao Scholarship, and participating in charitable donation programs for financially disadvantaged university students.</p>
 <p>Ensure sustainable consumption and production patterns</p>	<p>Actively seizing the development opportunities presented by "replacing plastics with paper," the Company continuously advances the R&D of new eco-friendly paper-based products, makes full use of raw materials and energy resources, and adheres to responsible production principles.</p> <p>Specializing in the R&D and manufacturing of low-carbon, environmentally friendly products such as "carbonless printing products" and "carbonless copy paper", the Company promotes sustainable consumption through its core business initiatives.</p>
 <p>Take urgent action to combat climate change and its impacts</p>	<p>The Company has established a systematic climate change management framework. Based on internal energy consumption data, it implements a greenhouse gas emission monitoring program, gradually conducts carbon inventories, and formulates robust emission reduction plans, driving Xianhe toward its low-carbon transformation and development goals.</p> <p>Focusing on building an integrated "forest-pulp-paper" industrial chain, the Company actively pursues forestry development and fully develops "carbon sink" resources, contributing positively to mitigating the impacts of climate change.</p>
 <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	<p>The Company diligently practices sustainable procurement principles, integrating ecological protection into supply chain management. It requires suppliers to provide FSC or PEFC certification to ensure that raw materials originate from sustainably managed forests, thereby promoting biodiversity conservation and the responsible utilization of forest resources.</p>
 <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p>Integrate compliance concepts into operational processes and employees' daily work, fostering an honest, efficient, and stable operating environment.</p> <p>Fully implement the anti-corruption work philosophy, establish an integrity management system covering all employees, and promote the in-depth development of a corporate integrity culture through diverse integrity management measures.</p>

SUSTAINABLE DEVELOPMENT MANAGEMENT FRAMEWORK

Xianhe Co., Ltd. has integrated sustainable development into its corporate governance system, establishing a governance framework in which the Board of Directors provides overall strategic direction and decision-making, the management team organizes and drives implementation, and functional departments coordinate to execute initiatives. With clearly defined responsibilities and working boundaries, the Company has formed an operating mechanism featuring tiered accountability and step-by-step execution. Environmental, social, and governance (ESG) considerations are embedded into strategic planning and day-to-day operations, ensuring that sustainable development efforts advance in synergy with core business activities and are implemented steadily.



Board of Directors Sustainable Development (ESG) Committee

- Supervise ESG vision, strategy, and targets; evaluate implementation.
- Guide the ESG Working Group in identifying, assessing, and responding to ESG risks; integrate ESG risks into the corporate risk management framework.
- Guide the ESG Working Group in identifying and assessing ESG issues affecting operations and stakeholder interests; prioritize material topics.
- Review ESG reports and key matters, and submit them to the Board for approval.



ESG Working Group

- Develop implementation pathways and specialized plans based on ESG policies; coordinate cross-departmental resources.
- Identify material ESG topics, analyze their connection to strategy and operations, and propose risk controls.
- Decompose ESG targets into performance assessments; regularly report progress.
- Assist in preparing the annual ESG report for Committee and Board review.










Business Units and Functional Departments

- Implement ESG action plans to support overall ESG targets.
- Establish and maintain stakeholder communication channels.
- Regularly collect ESG data and practice information; drive continuous improvement; support corporate decision-making.

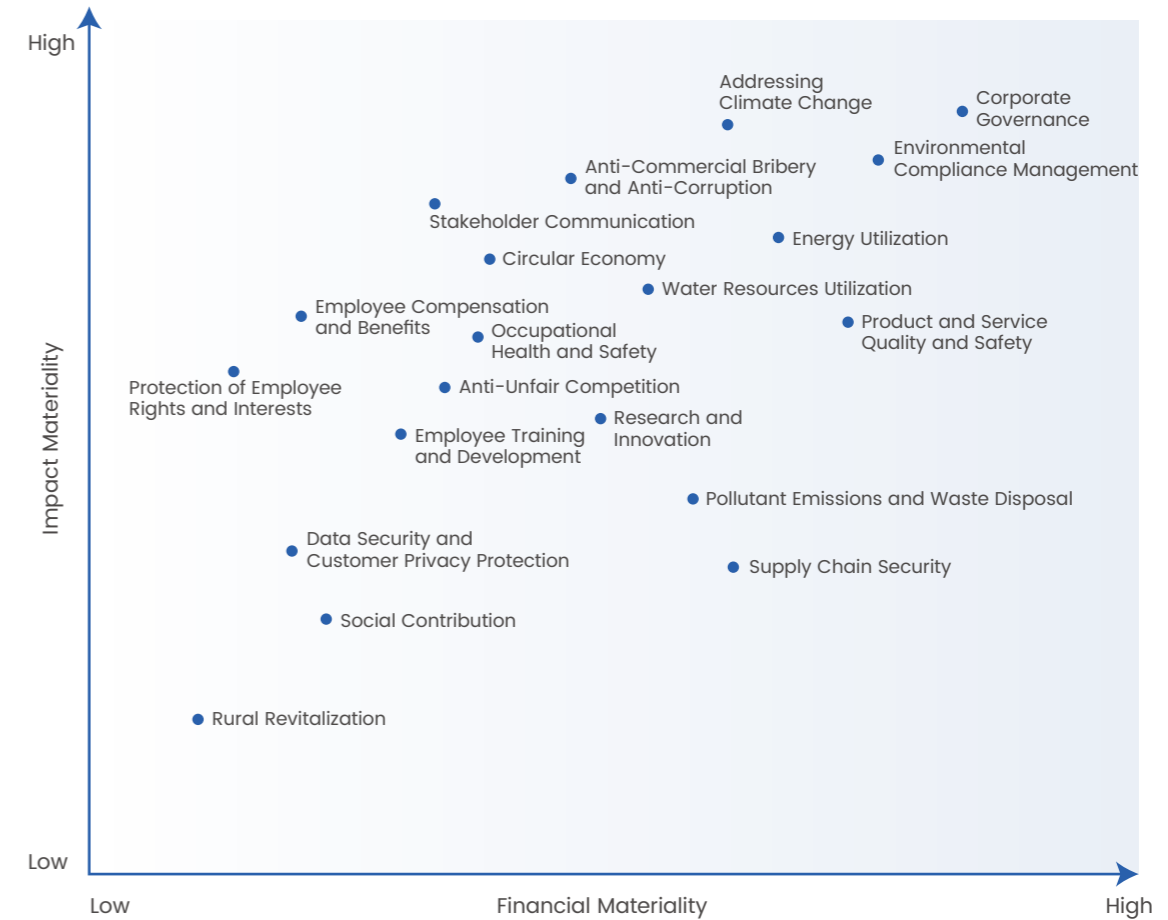
STAKEHOLDER COMMUNICATION

The attention and support of stakeholders serve as the driving force behind Xianhe Co., Ltd.'s continuous progress. By establishing multi-dimensional and routine communication mechanisms, we listen carefully to the voices of all stakeholders and gain a deep understanding of their expectations for the Company's development. We regularly conduct stakeholder surveys, questionnaire discussions, and ESG priority assessments, integrating stakeholders' recommendations into daily operations and strategic planning. This commitment drives our vision of sustainable development through mutual benefits, collaborative progress, and win-win outcomes.

Key Stakeholders	Expectations and Demands	Response Measures
 Government	Law-abiding operations Tax compliance Job creation Regional economic development Environmental protection	Comply with laws and regulations Pay taxes in good faith Contribute to improving people's livelihoods Focus on pollution prevention and control
 Shareholders	Business performance Return on investment Steady operations Information transparency	Improve corporate governance Strengthen risk management and control Formulate business strategies Timely information disclosure Conduct investor roadshows and organize investor research
 Employees	Rights protection Compensation and benefits Career development and advancement Safe and comfortable working environment Work-life balance	Legally sign labor contracts Provide benefits and care Share in development achievements Improve training mechanisms Implement workplace safety
 Clients	High-quality, diversified products Premium service	Commit to independent R&D and innovation Product quality management Improve customer service systems Monitor customer satisfaction
 Suppliers and Partners	Fair procurement Mutual benefit and win-win outcomes Industry development promotion	Practice transparent procurement Fulfill contracts with integrity Conduct professional exchanges
 Communities	Community development promotion Charitable activities	Make charitable donations Participate in volunteer activities
 Social Organizations and the Public	Public participation Transparent operations	Accept oversight from the public and media Conduct external communications

MATERIALITY ANALYSIS

This year, considering both the Company's business development stage and external environmental changes, we distributed stakeholder surveys to internal and external parties and performed data analysis. The impact materiality and financial materiality of relevant topics were dynamically updated to accurately reflect the Company's current operating profile and key sustainability priorities.



The topics of "Technology Ethics", "Equal Treatment of SMEs", and "Ecosystems and Biodiversity Protection" are considered to have relatively limited relevance to the Company's current operations and have therefore not been prioritized for assessment as key topics. Explanatory disclosures have been provided in the relevant sections of this Report in accordance with Article 7 of "Shanghai Stock Exchange Self-Regulatory Guidance No. 14 for Listed Companies Sustainability Reporting (Trial)". In addition, based on the Company's sustainability management practices during the year, "Due Diligence" has not been included in the list of material topics for the current reporting period.

Environment Section

Green and Low-carbon, Circular Development

Xianhe Co., Ltd. adheres to the concept of "Green China, Clean Factory" and actively promotes environmental governance and sustainable development with a strong sense of social responsibility and industry commitment. We are dedicated to transforming environmental commitments into measurable and verifiable tangible outcomes through management optimization and technological innovation, building a resource-efficient and environmentally friendly production and operation system, aiming to achieve close synergy and long-term win-win outcomes among corporate growth, environmental protection, and social welfare.

- 21 Environmental Management
- 24 Climate Action
- 33 Water Resources Management
- 35 Pollution Control
- 40 Resource Circularity
- 40 Ecological Protection



Environmental Management

Xianhe Group consistently regards environmental compliance as the core principle of its operational management. The Company focuses on establishing a comprehensive environmental management system with well-defined systems, clear division of responsibilities, and robust execution capabilities. It strengthens environmental risk prevention and control mechanisms as well as routine inspection protocols, diligently fulfills its environmental protection obligations, and ensures environmental compliance throughout all production and operational processes.

Key Performance Environmental targets for 2025 have been met:

The compliance rate for wastewater, waste gas and solid waste treatment/discharge reached 100%, with zero environmental pollution incidents.

Environmental Management System

The Company strictly complies with laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Environmental Impact Assessment Law of the People's Republic of China, and has formulated internal regulatory documents including the Environmental Protection Management System, the Environmental Operation Control Procedures, and the Environmental Aspect Identification and Evaluation Procedures, thereby ensuring that environmental management activities are carried out in a systematic and standardized manner.

The Company has established an environmental protection and cleaner production management framework covering committees, administrative departments, and production plants, clearly defining the responsibilities of each level. This framework promotes the implementation of environmental protection and cleaner production efforts at every stage, strengthens the supervision mechanism, and ensures that all arrangements are carried out effectively.

▼ Environmental Protection and Cleaner Production Management Framework



Key Performance

Xianhe Corp was among the first batch of "Zhejiang Green Enterprises" in Zhejiang Province and recognized as a "National Green Factory" by the Ministry of Industry and Information Technology.

Xianhe Corp, Zhefeng New Materials, Xianlu New Materials, Henan Xianhe, Zhejiang Tangfeng, Korai New Materials, Kingdecor, Guangxi Xianhe New Materials, and Hubei Xianhe New Materials have obtained ISO 14001 Environmental Management System certification.

Environmental Risk Prevention and Control

Assessment of Significant Environmental Aspects

The General Manager's Office identifies and assesses environmental aspects involved in the full lifecycle of the Company's business activities, products, and services. It prepares and dynamically updates the "List of Significant Environmental Aspects," clearly identifying major environmental risk points requiring priority control. This provides a scientific basis for resource allocation and management decision-making, thereby effectively controlling environmental impacts and driving continuous improvement.

Key Performance

During the reporting period, the Company **experienced no** major environmental incidents and was **not** subject to significant administrative penalties or criminal liability from environmental protection authorities or other relevant departments due to such incidents.

Environmental Incident Emergency Management

Following the principles of "prevention first, self-reliance, unified command, and divided responsibilities," the Company has developed a "Contingency Plan for Environmental Emergencies" informed by its operations and input from employees and nearby residents. The plan outlines the emergency response structure, incident classification criteria, and response procedures. Site-specific plans address potential accidental discharges or leaks in key areas such as production workshops, chemical warehouses, wastewater treatment, and flue gas systems - minimizing environmental impact and ensuring the safety of employees and neighboring communities.

We provide organization-wide training on the contingency plan and conduct regular emergency drills, including hazardous chemical leaks and fire safety exercises, to strengthen the rapid response, mitigation, and recovery capabilities of its emergency teams. Furthermore, based on assessments of emergency resources and environmental risks, the Company continuously improves its emergency supplies, enhances inspections of critical areas, and raises its overall emergency management standards.



Fire safety drill

Environmental Training

The Company regularly conducts environmental protection training and awareness campaigns, covering topics such as environmental regulations, pollution prevention, and resource conservation. By integrating practical operational scenarios of its facilities and equipment, it organizes hands-on drills and case discussions to gradually enhance employees' awareness of environmental responsibilities and promote the implementation of eco-friendly concepts throughout corporate operations.



Environmental Training

Environmental Compliance Inspection

The Company implements comprehensive management of environmental protection facilities and equipment, establishing and strictly enforcing management procedures for inspection, maintenance, and acceptance testing. Preventive maintenance and hazard identification are carried out on critical equipment, pipelines, valves, and other components to ensure that all environmental protection facilities and equipment remain in good condition and operate stably.

The Company regularly engages qualified third-party institutions to conduct comprehensive audits covering all relevant areas, including chemical warehouses, production workshops, and laboratories, as well as supporting facilities such as storage containers and transfer pipelines. The audit scope encompasses the loading and unloading, handling, use, and disposal of hazardous chemicals, along with related management systems, personnel training, emergency response plans, and record-keeping. This enables the timely identification and mitigation of potential risks.

Key Performance In 2025

Number of emergency drills conducted for sudden environmental incidents 2 times	Coverage rate of personnel involved in environmental emergency response drills 90%
Coverage rate of environmental protection and compliance-related training 100%	Number of training sessions conducted on environmental protection and environmental compliance 12 times
	Total cumulative hours of environmental protection and compliance-related training 4,616 hours

Climate Action

In response to the profound impacts of climate change, Xianhe Co., Ltd. has integrated climate-related issues into its daily management and development strategies, actively advancing energy utilization management and greenhouse gas emission reduction efforts. By leveraging industry-specific characteristics and operational realities, the Company identifies potential risks and opportunities arising from climate change. It strengthens energy consumption process management and data monitoring systems, promotes energy-saving technologies and clean energy applications, continuously optimizes energy structure and utilization efficiency, thereby providing robust support for low-carbon transition and green development initiatives.

Climate Change Management System

In compliance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Xianhe Co., Ltd. has established a climate change management system focusing on four key dimensions: governance, strategy, risk and opportunity management, and indicators and objectives. The Company has clearly defined responsibilities, closely monitored the impact of climate-related risks and opportunities on its operations, and implemented controls over energy and emission indicators to continuously enhance its climate resilience capabilities.

Governance

Under the sustainable development governance framework, the Company advances climate change-related matters. The Board of Directors provides oversight, the Sustainable Development (ESG) Committee guides and coordinates climate impact assessments, and business and functional departments execute specific measures.



Strategy

The Company assesses the potential impacts of short-, medium-, and long-term climate-related risks and opportunities on its operations and financial performance, incorporating these considerations into management decisions and business planning.

Risk and Opportunity Management

Based on regulatory requirements, industry trends, and expert advice - and taking full account of its current business context - the Company systematically identifies and evaluates climate-related risks and opportunities across its own operations and value chain, developing and regularly updating corresponding management measures.



Indicators and Objectives

The Company regularly measures, verifies, and discloses its total greenhouse gas emissions and emissions per unit of product, using this data to evaluate the effectiveness of its climate management efforts.

Actively responding to the national "dual carbon" strategy, the Company aims to achieve carbon peak by 2030 and carbon neutrality by 2060, advancing its low-carbon transformation.

Climate-related Risks and Opportunities

a. Physical Climate Risks

Risk Type	Risk Description	Possible Business Impact	Possible Financial Impact	Countermeasures	Probability
Acute Risk	Frequent extreme weather events such as typhoons, heavy rainfall, and hailstorms	<ul style="list-style-type: none"> Delays in raw material or product transportation Damage to goods and vehicles Increased supply chain instability 	<ul style="list-style-type: none"> Increased transportation costs Additional raw material procurement costs Delivery delays and revenue decline 	The Company plans alternative transportation routes in advance, continuously monitors weather conditions at supplier and customer locations as well as along logistics routes, and activates emergency logistics plans as appropriate. The Company maintains a certain inventory of raw materials to prevent supply disruptions caused by extreme weather events.	High
	High natural disaster risk (e.g., earthquakes, fires) in major wood pulp supplying regions such as South America	<ul style="list-style-type: none"> Raw material shortage, reduced production Production plan postponed 	<ul style="list-style-type: none"> Increased raw material procurement costs Production delays and revenue decline Default and penalty costs due to delayed deliveries 	The Company enhances supply chain diversification, actively seeks alternative suppliers, and ensures broad geographical distribution to reduce reliance on any single supplier and mitigate the impact of weather disasters in concentrated areas. To secure raw material supply, the Company is developing owned and cooperative forestland in Guangxi, building an integrated "forest-pulp-paper" project, and further planning an integrated "bamboo-pulp-paper" project in Sichuan to improve overall supply chain efficiency.	Medium
Chronic Risk	Persistent extreme high or low temperatures	<ul style="list-style-type: none"> Personal injuries such as heatstroke or frostbite Reduced production safety and stability 	<ul style="list-style-type: none"> Increased medical expenses for personnel Production delays and revenue decline 	The Company conducts advance weather monitoring and early warning, and provides adequate heat prevention and cold protection facilities for employees to ensure suitable working temperatures. During extreme weather, work hours are adjusted or shift rotations are implemented to reduce employee exposure to extreme heat or cold. The Company develops comprehensive disaster emergency plans and regularly organizes natural disaster emergency drills and training to enhance extreme weather response capabilities.	Low
		<ul style="list-style-type: none"> Reduced efficiency of equipment and facilities, potentially leading to malfunctions and damage Reduced production safety and stability 	<ul style="list-style-type: none"> Increased basic operating costs Increased asset maintenance costs Production delays and revenue decline 	The Company regularly maintains and inspects production equipment and facilities, and performs equipment protection and servicing before extreme weather arrives to prevent overheating or freezing. The Company develops emergency plans for equipment failures and promptly coordinates production resources to minimize the impact of extreme weather on business operations.	Low

b. Climate Transition Risks

Risk Type	Risk Description	Possible Business Impact	Possible Financial Impact	Countermeasures	Probability
Policy and Legal Risks	Global carbon pricing coverage expands with stricter emission standards	<ul style="list-style-type: none"> Daily production and operations are affected 	<ul style="list-style-type: none"> Increased compliance and operational costs Higher carbon taxes or environmental fines 	The Company continues to advance its integrated "forest-pulp-paper" strategy, actively develops forestry carbon sinks, and carries out energy-saving and carbon-reduction retrofits on production processes and equipment. The Company's securities and legal department closely monitors and tracks changes in environmental laws and regulations to ensure that the Company's operations remain in full compliance with environmental requirements.	High
Technical Risk	Application of green technologies to reduce water, energy, and material consumption	<ul style="list-style-type: none"> Existing technology becomes obsolete Newly developed technology is immature or poorly implemented 	<ul style="list-style-type: none"> R&D costs for green technologies Costs for upgrading or replacing high-emission equipment and production lines 	The Company carefully assesses the feasibility of low-carbon technologies, adopting a gradual upgrade approach in the short term by phasing in investments to update equipment and production lines. The Company actively collaborates with universities and research institutions to advance the R&D and commercialization of low-carbon technologies.	Medium
Market Risk	Shifts in industry trends and customer behavior	<ul style="list-style-type: none"> Changes in consumer preferences lead to reduced demand for traditional high-carbon products 	<ul style="list-style-type: none"> Loss of market share and revenue decline 	The Company continues to develop and produce low-carbon, environmentally friendly products to meet customer demands.	High
Reputation Risk	Slow or poor performance in climate action	<ul style="list-style-type: none"> Damaged brand image Negative feedback from stakeholders Social and public pressure 	<ul style="list-style-type: none"> Customer churn and revenue decline 	The Company plans to expand the range of products subject to full life-cycle carbon footprint tracking and evaluation, and further research and analyze methods to reduce product carbon footprints and environmental impact. While taking active and effective actions to address climate change, the Company also makes timely information disclosures to respond to the information needs of external stakeholders.	High

c. Climate Opportunities

Opportunity Type	Opportunity Description	Possible Business Impact	Possible Financial Impact	Countermeasures	Probability
Energy Transition	Application of clean energy	<ul style="list-style-type: none"> Reduced dependence on traditional fossil fuels Lower carbon emissions 	<ul style="list-style-type: none"> Energy cost savings Additional government subsidies or tax incentives 	The Company actively invests in clean energy projects such as solar, wind, and biomass power, as well as energy storage projects, to optimize its own energy mix.	High
Products and Services	Demand for low-carbon, environmentally friendly products and services	<ul style="list-style-type: none"> Expansion of green consumer base Enhanced brand image 	<ul style="list-style-type: none"> Revenue growth 	In response to market and customer demand, the Company accelerates the development of green products, such as biodegradable, recyclable, or products containing recycled content, to support low-carbon transformation across the value chain. Through brand promotion and green certifications, the Company increases market awareness and recognition of its low-carbon products.	High
New Markets	Widespread adoption of the "replacing plastics with paper" concept	<ul style="list-style-type: none"> Increased product appeal New collaboration opportunities 	<ul style="list-style-type: none"> Revenue growth 	The Company seizes market opportunities arising from growing demand by developing and producing paper straws, paper bags, paper boxes, and other products as substitutes for plastic items, promoting the application of eco-friendly paper-based materials in industries such as food, daily chemicals, and packaging.	High

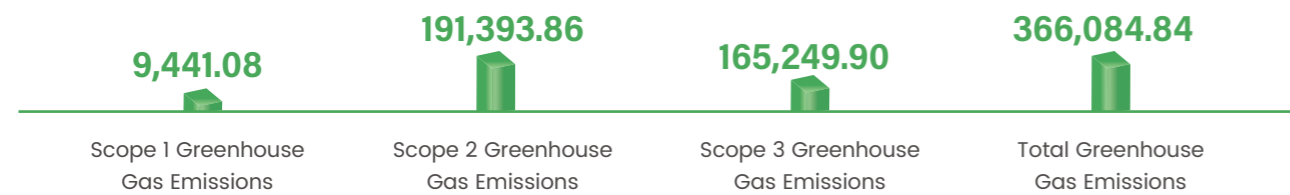
Carbon Emission Control

We actively respond to the requirements of regulatory authorities and downstream customers regarding carbon management. Since 2022, we have been conducting greenhouse gas emission accounting and systematically identifying and inventorying emission sources within our production and operational scope. Currently, the Company has completed carbon inventories at its Quzhou headquarters and major subsidiaries, and has preliminarily established a carbon emission data system, laying the foundation for setting scientifically sound and reasonable emission reduction targets and pathways in the future.

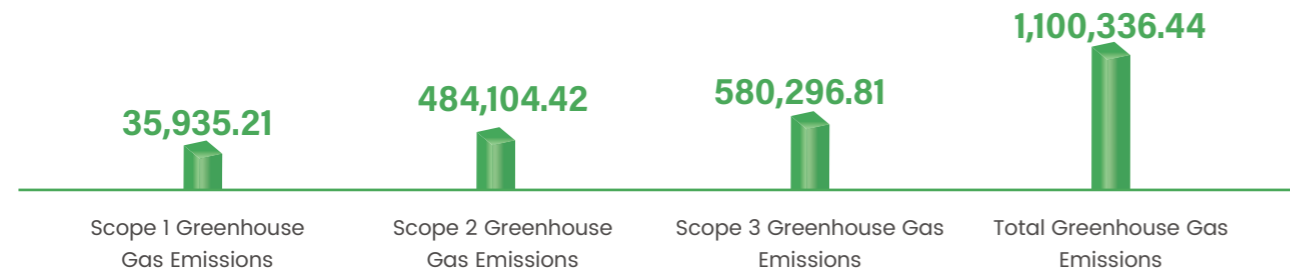
Key Performance		In 2025	
Scope 1 Greenhouse gas emissions	1,695,184.46	Scope 2 Greenhouse Gas Emissions	820,117.03
tons of CO ₂ equivalent		tons of CO ₂ equivalent	
Total greenhouse gas emissions in Scope 1 and Scope 2		2,515,301.49	
tons of CO ₂ equivalent		tons of CO ₂ equivalent	

Xianhe Co., Ltd. (Factory at 69 Tianhu South Road), Zhefeng New Materials, and Hefeng New Materials have conducted organizational-level greenhouse gas inventories and prepared inventory reports. In addition, they have obtained greenhouse gas verification statements issued by third-party institutions in accordance with ISO 14064 standards, supporting the standardization and verifiability of the carbon emissions data.

Carbon inventory results of Xianhe Co., Ltd.(Factory at 69 Tianhu South Road) unit: tons of CO₂equivalent



Carbon inventory results of Zhefeng New Materials unit: tons of CO₂equivalent



In addition, the Company has continued to expand the coverage of its product carbon footprint assessments. By 2025, in collaboration with external professional institutions, we have completed carbon footprint assessments for products such as aluminum-free foil-laminated paper and specialty paperboard, obtained carbon footprint certificates, and achieved a comprehensive evaluation of the carbon emissions throughout the entire product lifecycle.

Product carbon footprint of aluminum-free foil-laminated **1.96** unit: kg CO₂ equivalent/kg paper

Product carbon footprint of specialty paperboard **2.50**

Note: The carbon footprint assessment for the Company's products covers the stages of raw material procurement, transportation, and manufacturing processes.

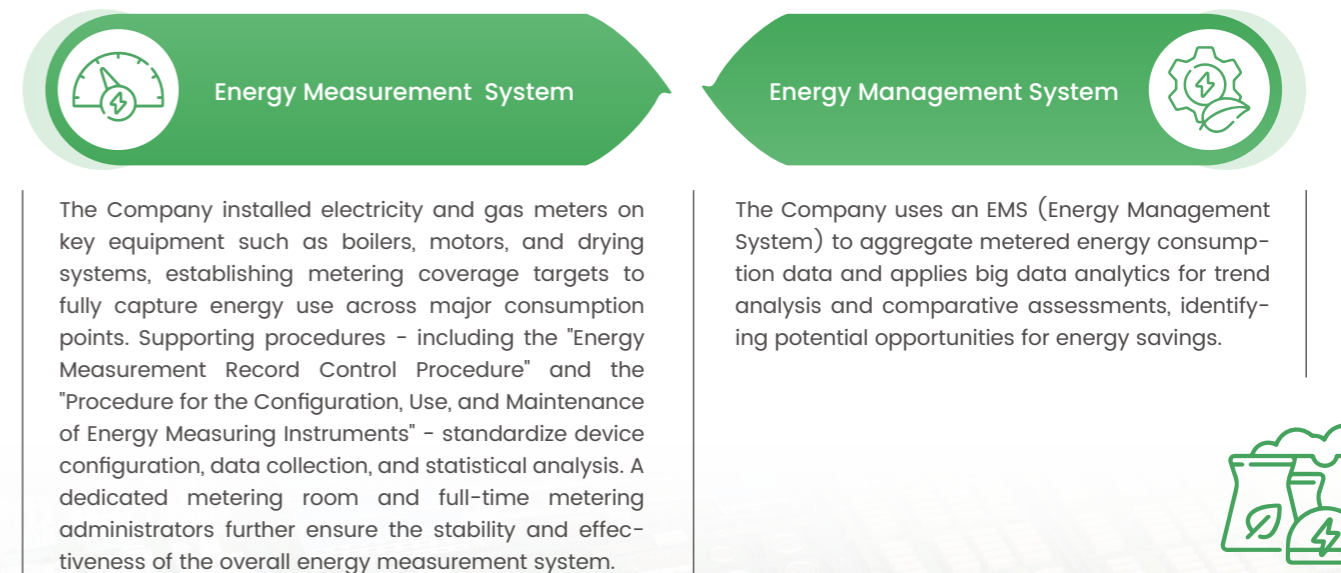
Energy Management System

Xianhe Co., Ltd. adheres to the management principles of "compliance and innovation, energy conservation and emission reduction, green production, and continuous improvement." It has established an energy management system with sound regulations and a clear structure, and has strengthened energy consumption monitoring through metering devices and information systems, thereby providing effective support for advancing energy consumption control efforts.

Management Mechanism

In accordance with ISO 50001:2018 "Energy Management Systems - Requirements," RB/T118-2014 "Certification Requirements for Energy Management Systems in Pulp and Paper Enterprises," and relevant national energy laws and regulations, the Company has prepared the "Energy Management System Manual" and associated procedural documents, clearly defining the management and control requirements. The Company has established an Energy Management Leading Group, composed of heads of various branch plants and energy management officers, which is responsible for the coordinated management, monitoring, and control of resource and energy use. Under the Energy Management Leading Group, there is an Energy Conservation Management Team, which formulates rules and regulations focusing on key energy-consuming areas such as electricity and steam usage, and promotes the implementation of energy-saving and consumption-reducing measures at specific operational stages. In addition, the Company conducts regular external energy audits to identify areas for improvement and continuously refine its energy management system.

Measurement and Monitoring



Energy Conservation and Carbon Reduction Practices

Green Production

The Company implements energy-saving and efficiency-enhancing measures through its equipment and process optimization systems, continuously improving energy utilization efficiency and reducing energy consumption in production processes.



In new projects, priority is given to high-efficiency equipment for key energy-consuming processes.
Workshop buildings adopt daylighting designs to reduce lighting energy consumption.



Key equipment in processes such as screening, grinding, mixing, and material feeding is upgraded and retrofitted to reduce energy consumption and material loss per unit of product, improving resource utilization efficiency.
The use of high-efficiency motors and variable-frequency motors is promoted to reduce no-load and low-efficiency operation.
Magnetic suspension vacuum pumps and magnetic suspension blowers are adopted to improve system operating efficiency and reduce energy consumption.



Through steam turbine extraction processes, steam generated from power generation is recovered and reused for deaeration and production heating, achieving steam recycling.
A steam waste heat recovery network system is established to recover condensate and waste heat, reducing energy waste.



Equipment is regularly inspected and lubricated to enhance stability and operating efficiency, reducing downtime due to failures and abnormal energy consumption.



Light Transmission Design of the Factory Building



Steam Turbine Blowdown Process

Green Operations

The Company actively promotes a green and low-carbon operational model, starting with everyday office details and travel habits, to turn environmental protection concepts into concrete, practical actions.

Green Office



Promote paperless office practices by selecting energy-efficient air conditioning and lighting equipment, and utilize intelligent programs to automatically regulate air conditioning operation, thereby reducing daily office energy consumption.

Low-Carbon Transportation



Promote green transportation by purchasing new energy vehicles to replace fuel-powered vehicles, and construct supporting facilities such as new energy vehicle charging stations on the factory premises to facilitate low-carbon commuting for employees and visitors.



Company's New Energy Transportation Vehicles

Energy Conservation Training

The Company regularly conducts specialized training and awareness campaigns on energy conservation and consumption reduction to enhance employees' energy-saving awareness and practical skills, while boosting their initiative and execution capabilities in energy-saving initiatives.



Energy Conservation and Carbon Reduction Training

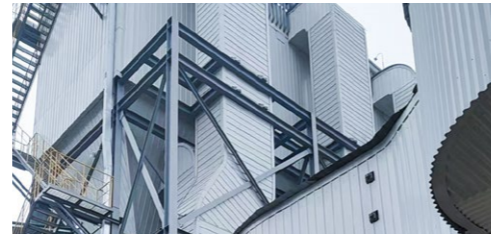
Clean Energy Usage

Based on the actual production conditions and energy supply situation at each base, Xianhe promotes the comprehensive utilization of clean energy, optimizes its energy mix, gradually increases energy self-sufficiency and the share of green energy, and reduces dependence on traditional high-carbon energy sources.

The Company is promoting distributed photovoltaic power generation projects across production parks, effectively utilizing rooftop spaces and other spatial resources while equipping qualified bases with energy storage facilities to enhance renewable energy integration capabilities and power supply reliability. As of the end of the reporting period, the Company and its subsidiaries had installed a cumulative photovoltaic capacity of over 126 MW, with annual power generation exceeding 90 million kWh, equivalent to approximately 27,700 tons of standard coal. The 42 MW/284.884 MWh energy storage project of the wholly owned subsidiary Zhefeng New Materials and the 22.36 MW/44.72 MWh energy storage upgrade project at the Company's Quzhou headquarters are in stable operation, providing effective support for on-site energy management. Moving forward, the Company will steadily advance wind power project planning and deployment based on regional conditions at each production base.

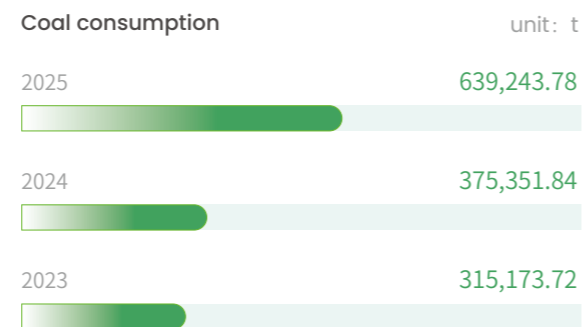
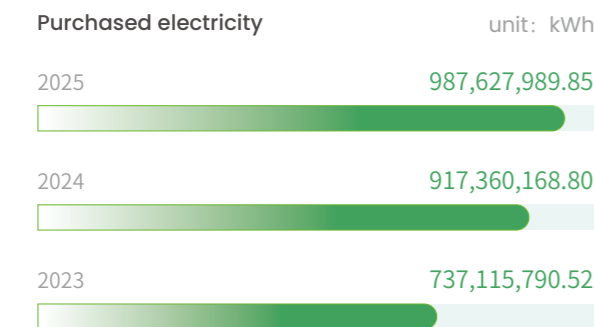
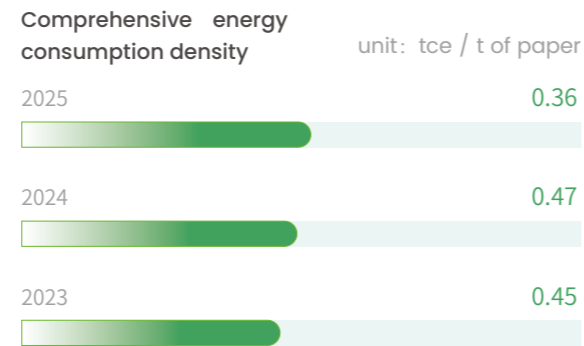
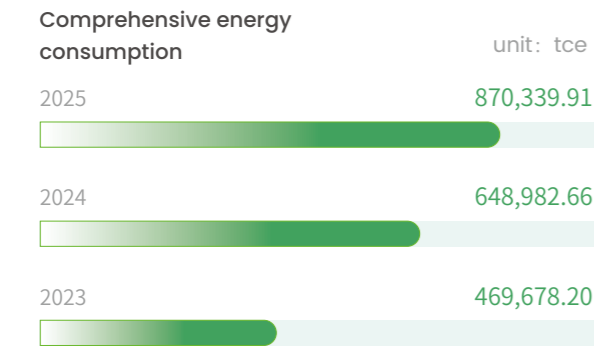


Photovoltaic Power Generation

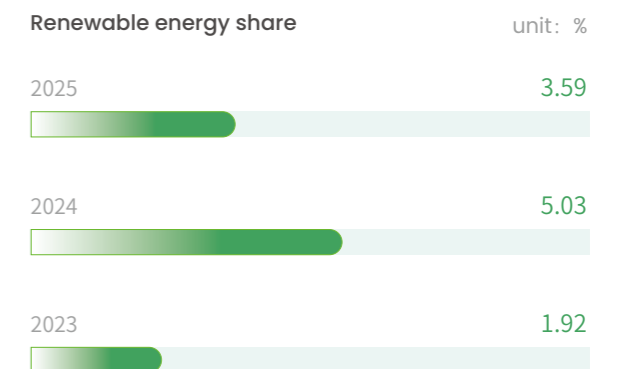
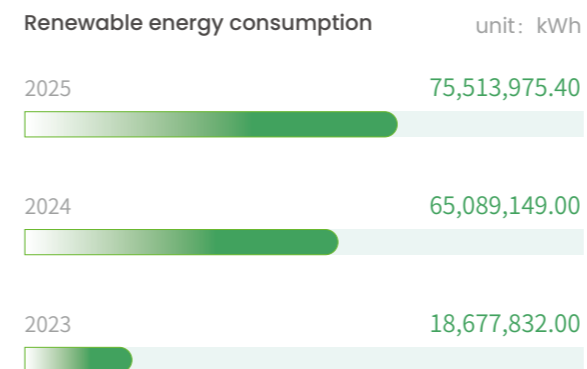
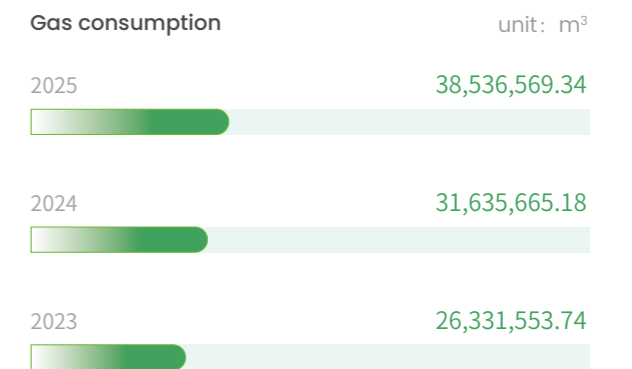
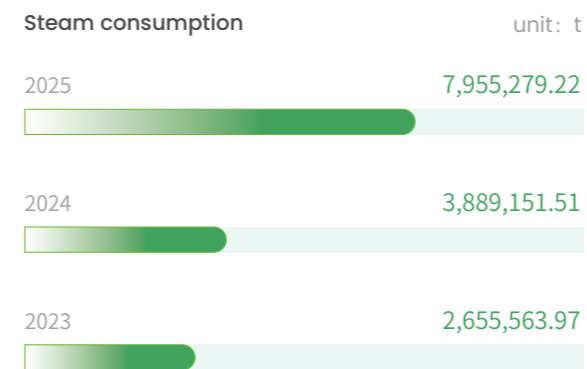


Sludge Drying for Power Generation

Leveraging its industrial characteristics and resource advantages, the Company utilizes biomass resources generated during production—such as wood chips, bark, pulp residue, and sludge—for combustion power generation. In 2025, the Company further expanded its biomass fuel sourcing channels. On the basis of fully utilizing its own biomass by-products, it also used externally purchased agricultural and forestry waste as auxiliary fuel to enhance energy supply capacity.



Note: Comprehensive energy consumption and energy consumption by type increased compared with the previous year, mainly due to certain projects under construction remaining in the ramp-up phase, with operations not yet fully stabilized.



Water Resources Management

The Company fully understands the water-intensive nature of the pulp and paper industry. By integrating its production characteristics, it has systematically implemented water resource management strategies. We continuously refine water usage planning and process control mechanisms, enhance metering monitoring and data analysis, and promote tiered water utilization and recycling initiatives. Additionally, we conduct water-saving improvements based on equipment operation data to optimize water resource efficiency.

Water Resources Management System

The Company strictly complies with laws and regulations such as the Water Law of the People's Republic of China and the Water Pollution Prevention and Control Law of the People's Republic of China. It has established internal systems including the Water Usage Measurement Management System, Planned Water Use Management System, and Water Conservation Equipment Management System, which clearly define water management responsibilities, measurement requirements, and control standards. A dedicated Water Conservation Management Office has been set up to oversee water resource management under the guidance of the Cleaner Production Management Committee. This office is responsible for setting water usage targets, breaking down annual tasks, and monitoring the implementation of water-saving measures. Each subsidiary factory conducts production activities within predetermined water consumption quotas while strictly controlling total water usage. When water consumption changes occur due to production plan adjustments, equipment upgrades, or process optimization, the subsidiary factory must submit advance reports detailing the reasons and anticipated impacts, which are implemented only after review.

Furthermore, the Company has formulated the "Ten-Year Water Conservation Plan (2020-2030)" to provide Comprehensive guidance and actionable strategies for advancing water resource management and conservation efforts. The Company has been systematically implementing phased tasks as scheduled and plans to commission qualified agencies to conduct water balance testing by 2030. This initiative aims to accurately assess the operational status of the entire water distribution network and current water consumption patterns across all processes, thereby establishing a scientific foundation for developing targeted water-saving measures.

Conserve Water Resources

With government approval, the Company draws water from the reservoir for production purposes, ensuring that its water intake complies with applicable laws, regulations, and water resource planning requirements. Using advanced water treatment and purification technologies, the Company processes reservoir water to meet industrial water standards, thereby guaranteeing a stable supply of water for production and preventing the appropriation of drinking water resources intended for residential use.

Meanwhile, the Company has established a water-saving equipment management mechanism, clearly defining the requirements for the use, maintenance, and inspection of water-saving facilities. High-precision water-metering devices have been installed in production areas to collect and transmit water-use data in real time, enabling monitoring of the production process.



Pulping white water recovery equipment



Source Reduction

- Reasonably control the intermittent time and working time of cleaning equipment to reduce ineffective water consumption.
- Discontinue high-pressure cleaning water supply for decommissioned standalone units and strengthen equipment runtime management.
- By reducing the number of nozzles, decreasing nozzle diameters, and optimizing the cleaning device configuration, the single water consumption was effectively reduced after the retrofit.
- The new project replaces water-ring vacuum pumps with magnetic levitation vacuum pumps to achieve water-free operation, eliminating water consumption requirements at the process source.



Recycling and Reuse

- Each production machine adopts an internal circulation system for cooling water, which is cooled in cooling towers before being recirculated. A temperature control system is installed at the outlet of the external drainage pipeline to effectively monitor circulating water temperature.
- The Company and its holding subsidiaries continuously improve water recycling facilities, constructing systems such as intermediate water treatment systems, white water recovery systems, sand filtration units, and steam condensate return systems to support the graded treatment and recycling of production water.
 - Hubei Base: Clean condensate is recycled to boilers, reclaimed water is reused in the material preparation process, concentrated water from demineralized water production is reused, and sealing water and cooling water are circulated. Total daily water savings amount to approximately 15,900 cubic meters.
 - Guangxi Base: Condensate from the ash extraction system and continuous blowdown system is recovered and reused in the pulping process, with an annual reuse volume of approximately 800,000 cubic meters.
 - Guangxi Base: Concentrated water generated after pulping thickening is returned to the pulping process, with an annual circulation volume of approximately 1.5 million cubic meters.
 - Guangxi Base: A condensate quality-based separate recovery system has been established. Light-contaminated condensate and heavily contaminated condensate are respectively reused in wood chip washing and soaking processes, with an annual reuse volume of approximately 1 million cubic meters.
 - Medium-contaminated condensate is sent to the causticizing and material preparation sections for use, replacing fresh water supply, with estimated annual water savings of 90% and 80% respectively.
 - Wastewater from the alkaline recovery boiler's scheduled blowdown and continuous blowdown expansion vessels is used for raw material washing after cooling, with an estimated annual water saving of 20%.

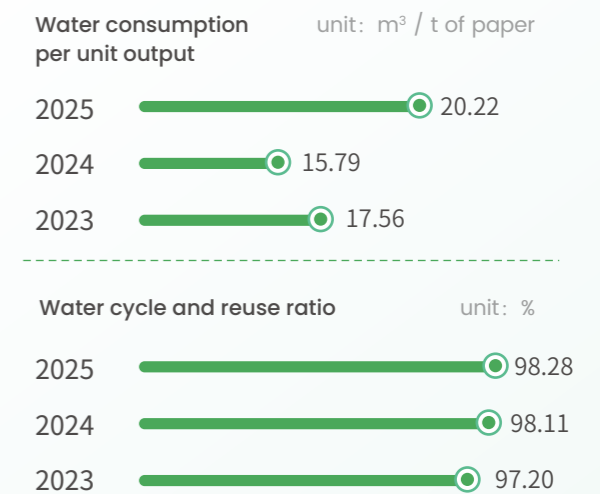
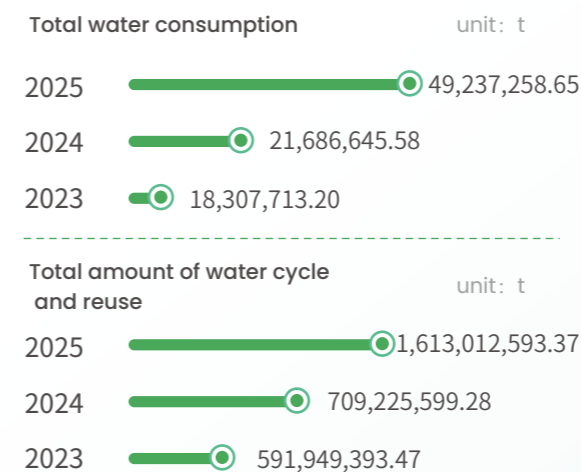
Cultivating Water Conservation Awareness

The Company installs water-saving reminder signs in key water-consuming areas and facilities, conducts water conservation awareness campaigns through pre-shift and post-shift meetings, and regularly organizes water-saving promotional activities to enhance employees' water conservation awareness.



Water conservation training

Key Performance In 2025



Note: Total water consumption and water consumption per unit output increased compared with the previous year, mainly due to certain projects under construction remaining in the ramp-up phase, with operations not yet fully stabilized.

Pollution Control

Xianhe Co., Ltd. strictly complies with national laws including the Water Pollution Prevention and Control Law, Air Pollution Prevention and Control Law, Solid Waste Pollution Prevention and Control Law, and Noise Pollution Prevention and Control Law. Following internal procedures such as the "Procedures for the Control of Wastewater, Exhaust Gas, Solid Waste, and Noise," the Company rigorously manages its emissions. It fully implements the "Three Simultaneities" system, ensuring pollution control facilities operate alongside main production facilities, and holds a valid pollutant discharge permit. Real-time monitoring systems are installed at all discharge points, and third-party testing is regularly conducted to verify compliance with national and local standards. During the reporting period, the Company had no excessive pollutant discharge incidents and received no major administrative penalties or criminal liability related to pollutant emissions.

Wastewater Treatment

The Company carefully manages the potential environmental impact of its wastewater discharge. Based on process and water quality characteristics, wastewater is classified as cooking waste liquor (from chemical pulping), intermediate water (from washing and bleaching), and white water (from papermaking), each with dedicated treatment pathways. The Company has built its own wastewater treatment facilities and continuously upgrades treatment technologies. Cooking waste liquor is recovered via alkali recovery and black liquor utilization systems. White water is treated by air flotation or disc vacuum filtration and directly reused. Intermediate water undergoes primary sedimentation, anaerobic treatment, biochemical treatment, sedimentation, and sand filtration to remove solids and impurities before being discharged to the municipal wastewater treatment plant.

Following the special discharge limits of the "Discharge Standard of Water Pollutants for Pulp and Paper Industry" (GB3544-2008), the Company regularly monitors key indicators including pH, color, suspended solids, COD, BOD, ammonia nitrogen, and phosphorus. Any exceedance triggers corrective actions under its established procedures to ensure compliant and effective wastewater treatment. Moreover, through its consultation and information exchange procedures, the Company actively solicits and responds to input from employees and local residents, driving continuous improvement in water pollution prevention.

Case Study

Optimization of Wastewater Treatment Processes to Reduce Chemical Usage and Pollutant Generation

In 2025, the Company adopted a self-developed and self-formulated modified composite ferric sulfate in its wastewater treatment process, replacing multiple chemical agents traditionally used in the Fenton process, such as ferrous sulfate, hydrogen peroxide, sulfuric acid, and caustic soda. By reducing the dosage of iron salts, the amount of chemical iron sludge generated during treatment was correspondingly reduced by approximately 30% to 40%, significantly lowering pollutant generation and the subsequent burden of disposal.



Waste Gas Treatment

Waste gas primarily originates from emissions during production or processing procedures, volatilization of liquid raw materials and products, kitchen fume extraction from canteens, emissions from office vehicles, and analytical laboratory operations. The Company has established an "Emission Management System for Waste Gas," which clearly defines responsible departments and control measures for various emission sources. Concurrently, advanced waste gas treatment technologies and processes are employed to continuously optimize waste gas purification efficiency.

Measures to enhance Disposal Efficiency



Promote the ultra-low emission retrofit of solid waste incinerators, upgrade the desulfurization system, and add a new SCR denitrification system.

Implement a comprehensive upgrade and retrofit of the pulp-making alkali recovery system, and upgrade the odor collection and incineration treatment facilities.

Implement an upgrade of the desulfurization and denitrification system for the alkali recovery furnace to enhance its ability to control flue gas pollutants.

The Company engages third-party entities for waste gas emission monitoring, conducting monthly, quarterly, and annual inspections at critical monitoring points to ensure compliance with emission standards. Additionally, it has established an equipment maintenance and operation support mechanism. In case of abnormal monitoring data, the General Manager's Office will oversee the process and dispatch specialized personnel to perform maintenance and debugging of purification equipment, ensuring continuous and stable operation of exhaust treatment facilities.

Emissions of the Company and Its Major Subsidiaries

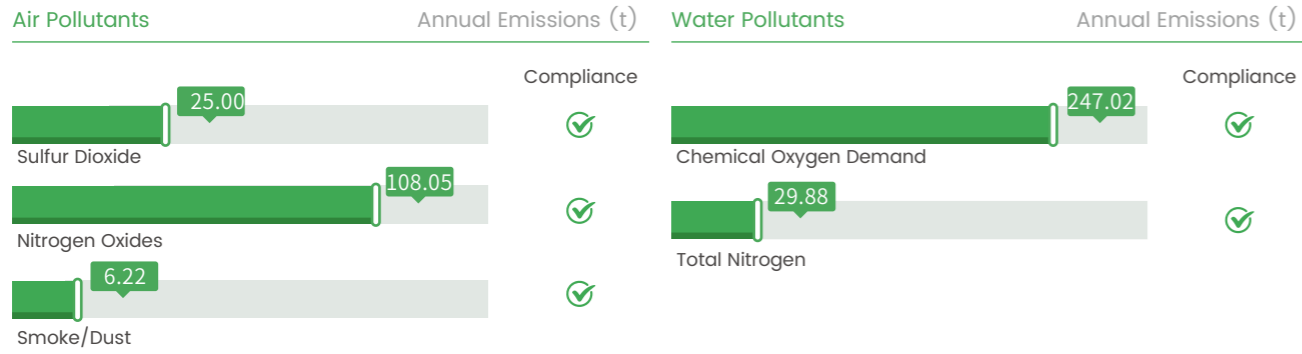
Xianhe Co., Ltd.(Qujiang Plant)

Air Pollutants	Annual Emissions (t)	Compliance	Water Pollutants	Annual Emissions (t)	Compliance
Particulate Matter	2.55	✓	Chemical Oxygen Demand	154.66	✓
Sulfur Dioxide	0.02	✓	Ammonia Nitrogen	1.85	✓
Nitrogen Oxides	0.41	✓	Total Nitrogen	15.09	✓

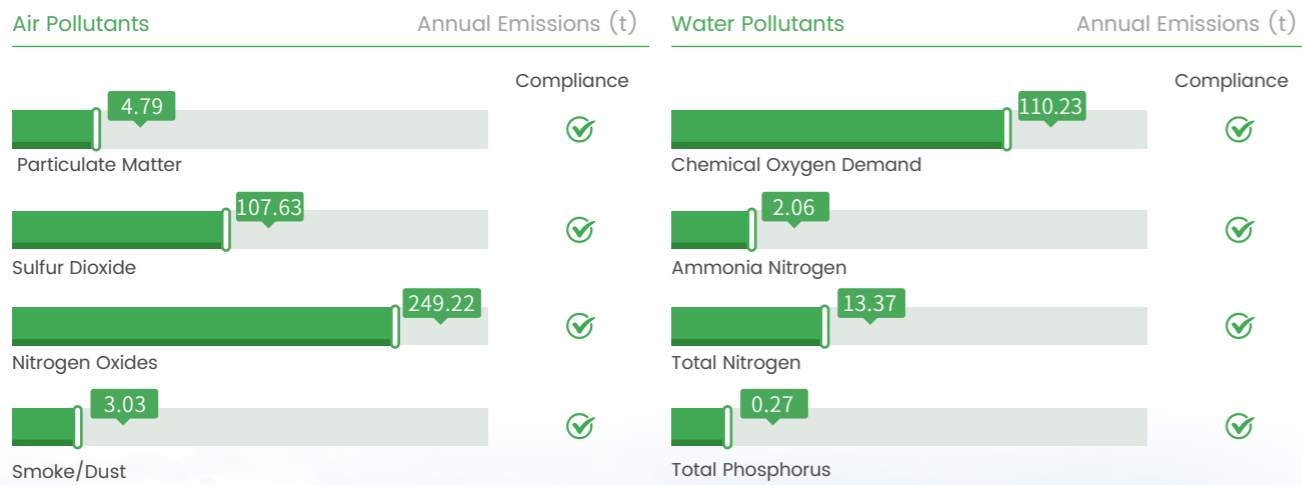
Zhefeng New Materials

Air Pollutants	Annual Emissions (t)	Compliance	Water Pollutants	Annual Emissions (t)	Compliance
Sulfur Dioxide	2.70	✓	Chemical Oxygen Demand	1,553.95	✓
Nitrogen Oxides	3.85	✓	Ammonia Nitrogen	17.39	✓

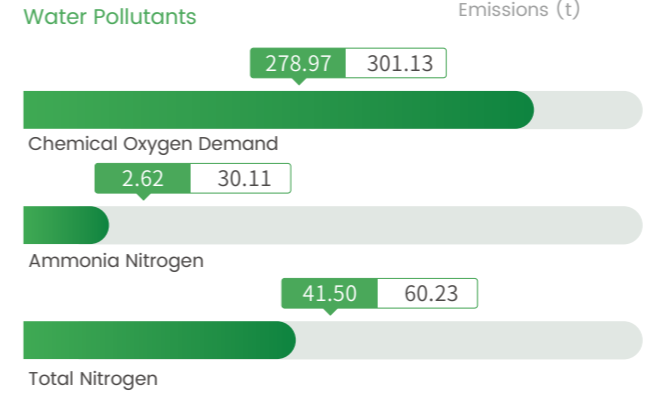
Henan Xianhe



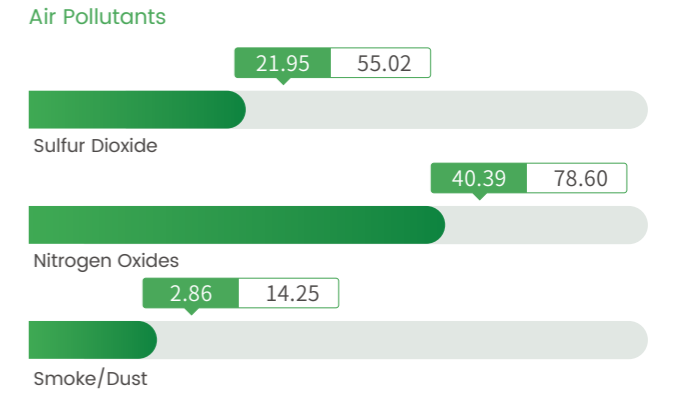
Hubei Xianhe New Materials



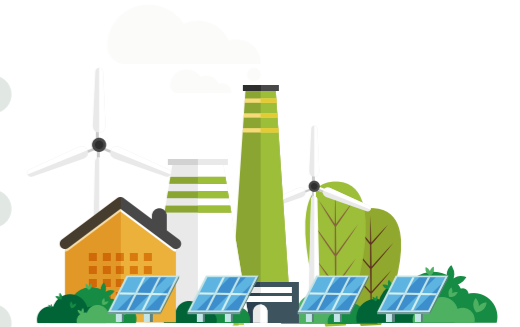
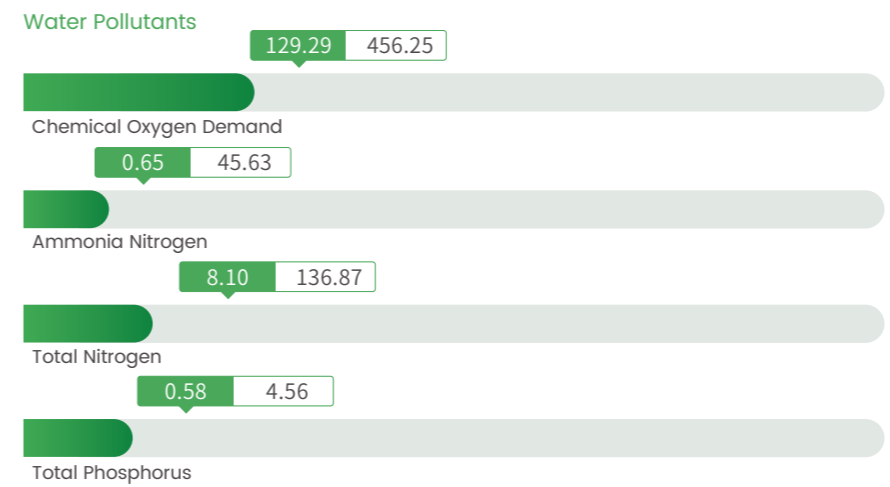
Hegang Environmental Protection



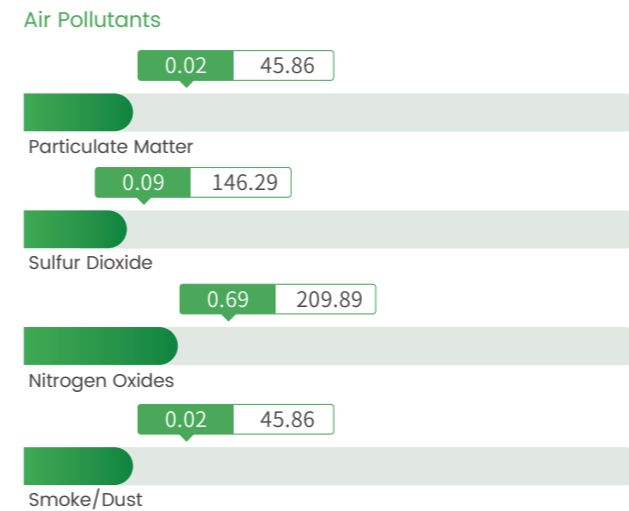
Zhefeng Energy



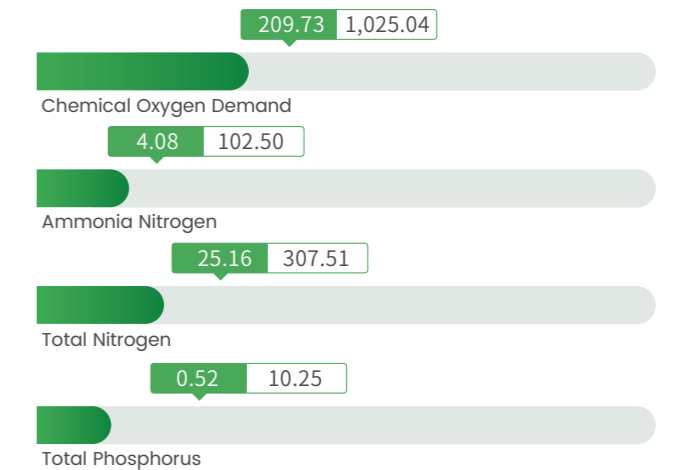
Zhefeng Environmental Protection



Hubei Xianhe Energy



Water Pollutants



Standardized Waste Disposal

Following the "National Hazardous Waste List," the Company categorizes its operational waste into Non-hazardous waste (sludge, household waste, construction waste, recyclable paper, metal scrap, general plastics) and hazardous waste (waste oil, waste batteries, oil-containing waste). The "Solid Waste Management System" and "Hazardous Waste Management System" govern waste storage and disposal.

The Company pursues cleaner production to minimize waste generation and adopts a comprehensive utilization strategy based on resource conservation. Recyclable waste is recovered or sold for reuse. Non-recyclable waste – including non-hazardous waste such as sludge and hazardous waste such as oil – is handled by qualified third-party processors to ensure safe, standardized disposal.

Black liquor is evaporated into solid content and incinerated in a recovery furnace. The resulting thermal energy is used for power and steam generation, while the alkali liquor is returned to pulping.



White mud and green mud are treated and reused in the flue gas desulfurization system, turning by-products into valuable resources.



Black Liquor Alkali Recovery and Waste Heat Utilization System

Key Performance

In 2025

Hazardous waste **71.73** tons

Non-hazardous waste **340,963.54** tons

*Note: In 2025, the integrated "forest-pulp-paper" projects (Phase I) in Laibin, Guangxi and Shishou, Hubei commenced stable operation following their commissioning. Both projects are included in the scope of this year's hazardous and non-hazardous waste data, resulting in a corresponding increase in relevant data compared to the previous year.

Noise Control

The Company has established a "Noise Emission Management System" that specifies requirements for noise source identification and control. Corresponding measures are implemented in source control, process management, and personal protection to minimize noise impacts on the surrounding environment and employees. Low-noise processes and equipment are prioritized to reduce noise generation. For operational high-noise equipment, noise reduction is achieved through soundproofing device installation and acoustic material application. Employees in noise-sensitive positions receive personal protective equipment (PPE), undergo regular occupational health examinations, and participate in noise protection training to enhance safety awareness. Additionally, the Company adheres to the Class III standards of GB12348-2008 "Industrial Enterprise Boundary Noise Emission Standards" for boundary noise management, conducting quarterly on-site monitoring with detailed records to ensure compliance with emission requirements.

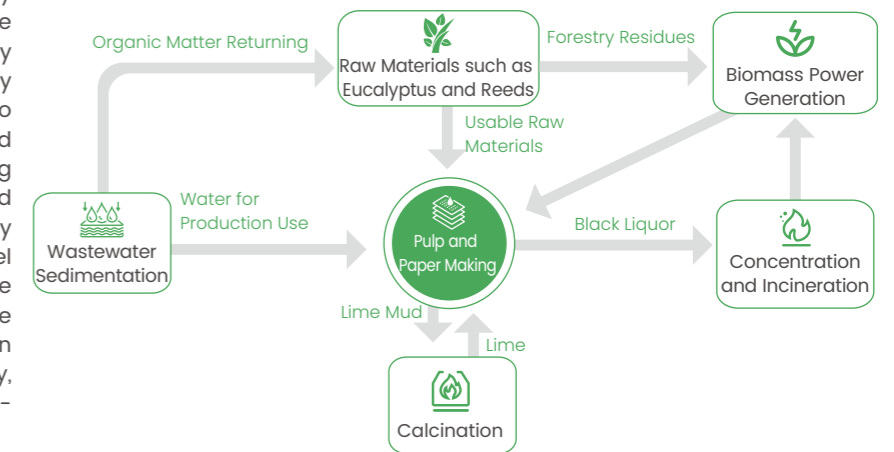
Resource Circularity

Xianhe Co., Ltd. has actively advanced the integrated "forest-pulp-paper" layout in Laibin, Guangxi and Shishou, Hubei, establishing a circular business model encompassing forestry cultivation, pulp and paper production, and waste resource utilization. The Company fully leverages local natural environmental advantages to promote forest cultivation and scientific harvesting, rationally utilizing forest resources and achieving sustainable raw material supply. Pulp and paper production lines have been constructed within the bases

to enable on-site raw material conversion, ensuring effective coordination among raw material supply, pulping, and paper manufacturing while reducing energy consumption and resource waste during transportation. For various by-products generated during production, the Company has simultaneously established circular utilization pathways. Preparation waste residues and certain production by-products are used for combustion power generation to recover energy, meeting production energy demands. Sludge generated from wastewater treatment sedimentation is treated and used for forest land fertilization to replenish soil nutrients, while white mud is utilized as a raw material for cement production.

Currently, Phase I of the integrated "forest-pulp-paper" projects at Xianhe's Guangxi and Hubei bases has been fully completed and put into operation. The Company will continue to steadily advance the related Phase II projects, fully leveraging the advantages of this layout to enhance economic, environmental, and social value. At the same time, leveraging the "bamboo-pulp-paper" integrated project in Hejiang, Sichuan, the Company will further explore the application of novel plant-based raw materials, promote more efficient resource utilization, reduce environmental impact, and strengthen industrial chain coordination efficiency, laying a solid foundation for the Company's future sustainable development.

Resource Circulation Diagram of Integrated Project for "Forest-Pulp-Paper" Application



Ecological Protection

The Company's business layout does not involve ecologically sensitive areas, and its operational activities have no significant impact on ecosystems or biodiversity. During project construction and operation, the Company voluntarily pays the "forest vegetation restoration fee." Based on its integrated "forest-pulp-paper" business layout, the Company effectively carries out forest cultivation and management, actively fulfilling its ecological protection responsibilities. Additionally, the Company monitors the sustainability of raw material sources during procurement, avoiding the use of raw materials originating from globally significant biodiversity areas, and striving to achieve harmonious coexistence between industrial development and the natural environment.

At the Guangxi base, the Company actively promotes the development of its own forestland, scientifically developing former barren mountains and infertile lands for eucalyptus planting, thereby facilitating local vegetation restoration and effectively enhancing soil and water conservation as well as carbon sequestration capacity. At the same time, through cooperative projects such as contract forestland and national reserve forests, the Company carries out professional maintenance and rational utilization of dispersed forest areas, strengthening the sustainable management of forest resources. The Company has implemented a series of forest fire prevention measures, including 24/7 monitoring, satellite surveillance, and the establishment of firebreaks, effectively reducing fire risks and ensuring the long-term sustainability of its forestland.

At the Hubei base, the Company collaborates with the government to address the growth characteristics of reeds, which "flourish and wither annually." By implementing periodic harvesting instead of allowing natural decay, the Company not only avoids secondary water pollution caused by the collapse of withered plants but also provides sufficient light and space for the growth of new shoots the following year, effectively maintaining the self-purification capacity and ecological vitality of the wetland ecosystem.

Product Section

Quality First, Win-Win Cooperation

Against the backdrop of the "replacing plastics with paper" trend and the deepening "dual carbon" policy, demand is rapidly growing for special functional consumable materials with oil/grease resistance, high strength, biodegradability, and other advanced properties across both consumer and industrial sectors. Xianhe Co., Ltd. remains committed to driving business growth through R&D and innovation, strengthening quality control at critical points, and delivering professional, high-performance paper-based functional material solutions tailored to customer needs. Concurrently, the Company advances sustainable supply chain development, actively engages in industry exchanges and standard-setting, and collaborates with partners to achieve mutual benefits and win-win outcomes, thereby supporting the high-quality development of the industry. Adhere to innovation-driven development of the industry.

43 Commitment to Innovation-Driven Development

48 Strict Quality Control

54 Provision of High-Quality Services

58 Connecting to a Green Future

65 Supporting Industry Development



Commitment to Innovation-Driven Development

With its outstanding technical attributes and performance advantages, specialty paper has demonstrated strong potential as a substitute material across a wide range of niche application scenarios, making it one of the key segments of the new materials industry. Currently, both the national and Zhejiang provincial governments have explicitly identified the new materials industry as a development priority in their "15th Five-Year Plan" periods. Xianhe Co., Ltd. closely follows national and regional policy directions, focusing on the R&D and breakthrough of high-performance paper-based functional materials. Adhering to the innovation philosophy of "independent design and collaborative development," and supported by a well-established R&D innovation system, the Company continuously advances product development and technological iteration, providing professional, reliable, and environmentally friendly product solutions for diverse application fields.

Strengthening the Innovation System

R&D Management System

The Company continuously improves its R&D institutions and governance systems to enhance internal innovation capabilities. With a focus on R&D organization, project development, fund management, and talent recruitment, the Company has put in place key policies such as the R&D Organization Management Measures, New Product R&D Management System, Talent Recruitment Management Measures, and R&D Fund Management Measures. These policies clarify workflows and incentive structures, strengthen the recruitment and retention of high-end talent, and enable efficient allocation of R&D funding, ensuring that R&D activities effectively support technological innovation and business growth. The Company has also established an R&D governance structure, where the R&D Director provides overall coordination, the R&D Institute and Technology Center lead execution, and relevant departments collaborate to deliver outcomes, thereby increasing overall R&D efficiency.

Personnel/Department	Duty
R&D Director	<ul style="list-style-type: none"> Oversees the formulation and implementation of the Company's annual R&D plan, coordinates and resolves issues arising during plan execution Organizes and conducts R&D project reviews, and carries out approval procedures in accordance with delegated authority
R&D Institute	<ul style="list-style-type: none"> Develops design implementation plans for R&D projects Defines the role allocation of project team members and participates in project reviews Manages subordinate R&D teams responsible for the specific development of new products and new projects, as well as the preparation and filing of patent and standards documentation
Technology Center	<ul style="list-style-type: none"> Responsible for quality inspection, process tracking, and documentation during R&D, design, and trial production phases, and provides timely quality feedback Manages the archiving of technical documentation related to design and development Manages subordinate QC teams that assist in the development, trial production, and testing of new products and projects
Production Technology Department	<ul style="list-style-type: none"> Collects and consolidates market demand and design-related information, and proposes recommendations for design and R&D projects
Administration and Human Resources Department	<ul style="list-style-type: none"> Responsible for the record-filing and management of R&D personnel allocation

* The Company does not engage in scientific research or technological development in ethically sensitive fields such as life sciences or artificial intelligence, and therefore is not applicable to the topic of "Technology Ethics."

R&D Process

The Company has established a standardized R&D management mechanism that systematically oversees project initiation, solution design, trial production and validation, and results review. Clear criteria at each stage ensure alignment with market needs, technology trends, and quality requirements.



Innovation Incentives

The Company encourages employees to actively participate in various innovation projects and activities, establishing incentive mechanisms for scientific research and development, technological innovation, and intellectual property. Recognition and rewards are provided for innovative contributions that yield results or lead to patents. At the same time, R&D achievements serve as a reference basis for employee promotions and professional title evaluations, strengthening an innovation-oriented evaluation system. The Company also gathers front-line experience through rationalization suggestions and improvement proposals, rewarding those that are adopted and generate tangible results, thereby continuously stimulating employee innovation enthusiasm.

R&D Investment

The Company focuses its R&D investments on the core business area of high-performance paper-based functional materials, with priority support for new product development, equipment and process optimization, and talent team building, thereby strengthening its technological accumulation and innovation momentum.

- 
Product Closely monitor evolving downstream application demands, systematically expand into emerging markets, and deepen collaborative development efforts with strategic customers to facilitate the launch of multiple new products, thereby continuously reinforcing the Company's product diversification advantages.
- 
Equipment Drive the iterative upgrading of papermaking processes and key machinery through a combination of independent research and development and technology introduction, thereby enhancing automation and operational stability across production stages, which in turn improves production efficiency and product quality.
- 
Talent Recruit specialized technical professionals and domain-specific experts, cultivate a highly skilled workforce, and strengthen the team's professional competencies and innovation potential.

Key Performance 2025

The proportion of R&D personnel is **8.98%** Research and development investment reached **175.5161** million yuan, accounts for **1.48%** of main operating revenue

Innovation Platform

Industry-University-Research Collaboration Platform

Established Xianhe Research Institute and Paper-Based Materials Industry College to drive key technology breakthroughs and research commercialization. In 2025, collaborated with Zhejiang University of Science and Technology on "High-Performance Thermal Transfer Base Paper" project.

R&D Platform

Built upon the headquarters' Innovation Center, including a National Enterprise Technology Center, Provincial Enterprise Research Institute, Provincial Industrial Design Center, and Provincial Postdoctoral Workstation, providing robust support for technology R&D and product innovation.

Harvesting Innovation Results and Achievements


Supported by the established R&D system and management mechanisms, the Company has systematically advanced its R&D and innovation efforts around core technologies and key products, continuously consolidating its innovation outcomes in the form of patents.

During the reporting period

The Company and its subsidiaries filed a total of **78** patent applications, including **44** invention patents and **34** utility model patents; **20** patents were granted, including **3** invention patents and **17** utility model patents.

As of the end of the reporting period

The Company and its subsidiaries held a cumulative total of **54** invention patents and **135** utility model patents.



Key Performance 2025

In 2025, the Company's independently developed high-performance green specialty kraft paper for food-contact applications, function-enhanced coated battery separator base paper, new naturally colored furniture protection paper, and smart, high-efficiency one-step coated Bible paper all passed provincial-level new product appraisal. In addition, its food-grade interleaving paper for stainless steel sheets was recognized as one of the excellent new industrial products of Zhejiang Province.



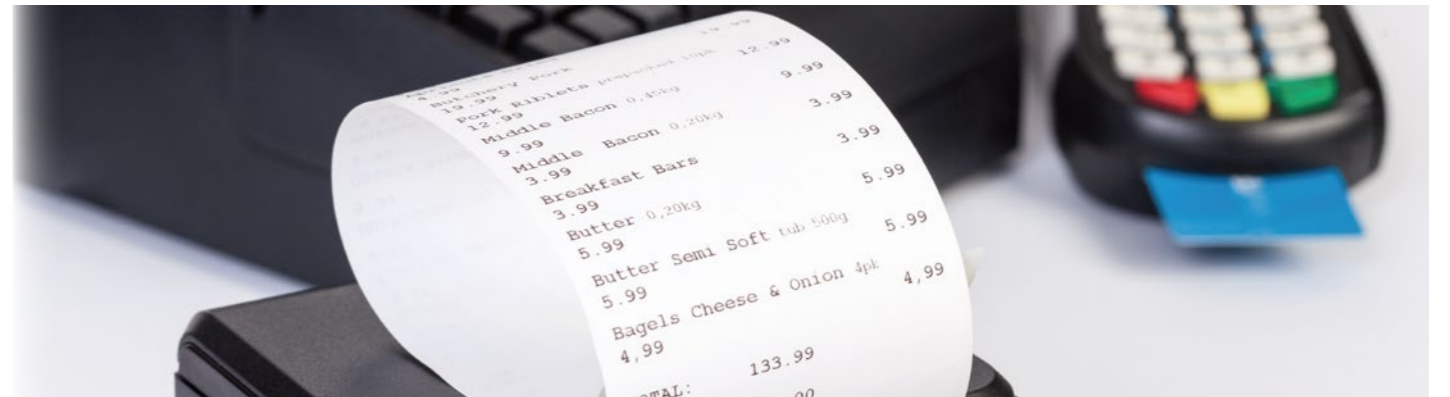
Food-grade Interleaving Paper for Stainless Steel Sheets – Awarded the title of Excellent New Industrial Products of Zhejiang Province

Key Performance 2025

The Company was honored with the titles of "Zhejiang Provincial Manufacturing Single Champion Enterprise" and "2025 Excellent New Industrial Product of Zhejiang Province"

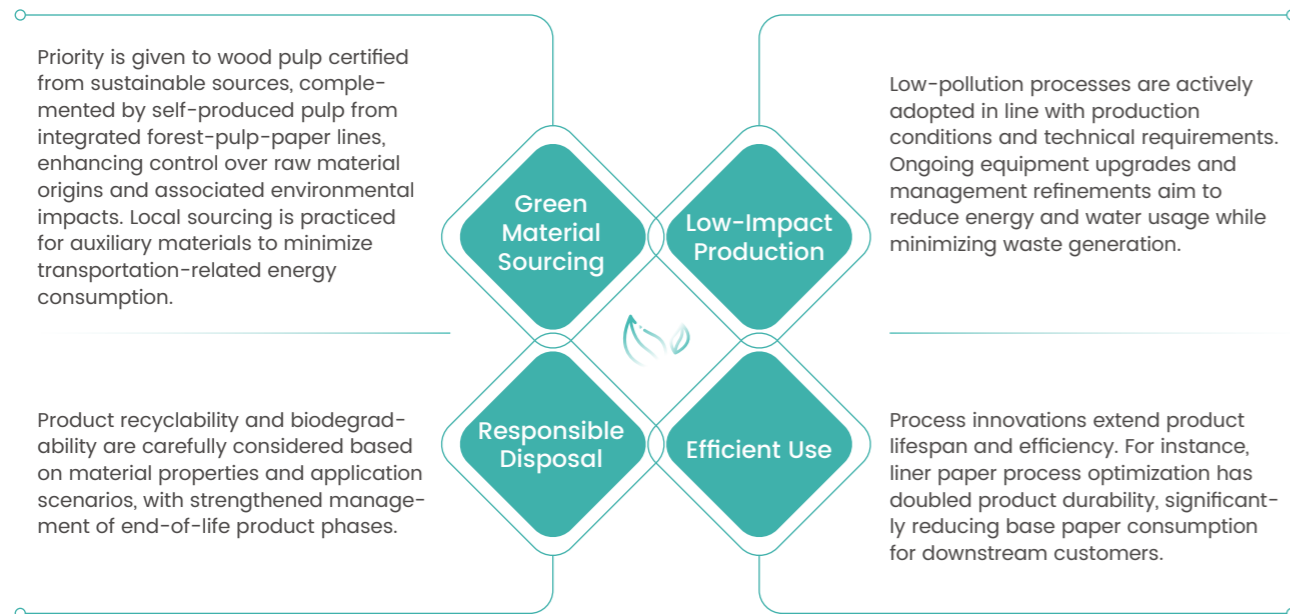
The project "Key Technologies and Industrial Application of Green Manufacturing of High-Performance Medical Packaging Paper" by Xianhe Co., Ltd. was awarded the Second Prize of the Innovation Award for Invention and Entrepreneurship by the China Association of Inventions.





Developing Green Products

The Company actively incorporates environmental considerations during product design and solution demonstration phases, consistently advancing the implementation of green design principles. By integrating product application scenarios with material properties, we assess potential environmental impacts, striving to reduce resource consumption and environmental burden throughout the product life cycle while ensuring product functionality and quality.



Annual Highlights: Green Products

Fluorine-Free Grease-Proof Paper
Fluorine-free solutions replace traditional fluorocarbon-based oil-proofing agents, mitigating potential environmental risks from fluorinated chemicals.

Ultra-Lightweight Bible Paper
Fiber raw material efficiency is improved by reducing basis weight and increasing usable area per unit weight, reducing virgin wood consumption while meeting functional requirements.

Durable Interleaving Paper for Stainless Steel
Enhanced durability supports repeated use, lowering material replacement frequency for downstream customers and improving resource utilization efficiency.

Strict Quality Control

We are fully aware that our products, as important basic materials, directly impact the quality of downstream products and the performance of end-user applications. The Company places a strong emphasis on product quality management, adhering to the business philosophy that "customer requirements define our standards." Through continuous improvement of our management systems, enhanced process monitoring, and rigorous inspection and verification, we strictly control quality at every stage to ensure product quality and an exceptional customer experience.

Full-Process Quality Management

Leveraging a robust quality management system and organizational structure, the Company has established clear quality control standards and implementation measures, fostering a management mechanism characterized by tiered responsibilities and collaborative coordination. Building on this foundation, the Company strengthens controls across key stages—including R&D, production, and delivery—to meet product performance specifications and quality stability requirements, ensuring that product quality remains consistently reliable.

Quality Management Framework

Sales Department

Proposes specific production requirements based on customer needs and market information. During the product development phase, collaborates with the R&D team and continuously participates in all stages from prototype to mass production, driving product performance to progressively align with customer requirements and end-user application scenarios.

Production Technology Department

Develops production solutions, defines raw material specifications and process standards, and ensures that the production process complies with applicable national, industry, and customer standards.

Within key production processes—including pulp feeding, papermaking, and rewinding—decomposes and executes steps according to customer requirements, and performs inspections and adjustments.

Quality Inspection Department

Performs finished product inspections in accordance with the quality standards established by the Production Technology Department, providing data support for quality assessment.

Oversees the Testing Center, which is primarily responsible for the inspection of new raw materials from external samples, R&D testing for new products, and comparative quality testing of similar products.

Manages the operation of the CNAS laboratory, ensuring the accuracy of test data and international recognition.

Quality Management Process

The Company has developed and implemented management documents, including the Xianhe Co., Ltd. Quality, Environment and Safety Manual, the Quality and Safety Control Procedures, and the Product Recall Control Procedures, which provide unified standards for the basic principles of quality management, control requirements, and abnormality handling mechanisms. In addition, based on the key management points across different business functions—including raw material management, R&D and design, production control, inspection and testing, as well as warehousing and transportation—the Company has further established corresponding detailed regulations and operating procedures to ensure effective implementation of quality requirements.

Key Performance 2025

Product qualification rate **99.46%**

Raw Material Control

The Company has established a comprehensive set of procedures for the whole-process control of raw and auxiliary materials, including the "Procurement Plan Sheet," "Procedures for the Application, Use, and Management of Raw and Auxiliary Materials," "Raw Material Quality Standards," "Management Specifications for Sampling, Testing, and Retention of Raw and Auxiliary Materials by the Quality Inspection Department," "Procedures and Regulations for the Receipt, Storage, and Dispatch of Raw Materials and Finished Products," and "Regulations for Fixed-Position Storage of Auxiliary Materials." These govern the procurement, testing, warehousing, use, and dispatch of raw and auxiliary materials. The quality standards for raw and auxiliary materials are based on national and industry standards, further refined in accordance with Company and customer requirements, and inspections are conducted accordingly to prevent substandard materials from entering production.



In daily management, the Company places special emphasis on controlling key raw materials by tightening the permissible deviation ranges for critical indicators, thereby reducing the impact of material fluctuations on finished product quality. In new product development, additional testing of new materials is conducted for newly developed paper grades, and raw material procurement volumes are reasonably controlled during small-batch trial production stages to avoid waste and quality risks arising from material mismatches.

Design and Development

Product development adheres to the "three-stage design" principle, progressing through sample trial production, small-batch pilot production, and mass production, ensuring that all critical milestones undergo thorough evaluation and validation.



In terms of process design, the production technology department is responsible for setting process conditions, managing process technologies, and reviewing and supervising process records to ensure the implementation of process requirements.

Standardize Production

In accordance with the "Process Operation Guidelines for Various Product Varieties" and the "Production Management Regulations for Paper Machine Product Variety Changes," standardized control of the production process is implemented. The "Process Notice" specifies detailed parameter requirements including process flow diagrams, operational specifications, technical standards, and process indicators.



Implement an inspection model combining self-inspection by production staff with periodic inspections by inspectors, leveraging digital tools such as the "5G Smart Workshop" to enhance production process monitoring capabilities through 3D modeling and dynamic data visualization systems.

Quality Inspection

The Company has established a range of procedures for quality inspection, including the "Operating Procedures for Physical Indicator Testing and Tracking," "Operating Procedures for Visual Defect Inspection," "Inspection Work Instructions," "Control Procedures for Outgoing Inspection," and "Management Regulations for Product Quality Inspection During Rewinding." These govern the inspection of pulping, papermaking, and rewinding processes, as well as multi-dimensional inspection and control of finished product quality indicators and appearance.



For non-conforming products, the "Isolation System for Non-Conforming Products in Finished Goods Warehouse" is followed. Products are labeled and isolated by category according to the severity of defects to prevent mixing. After evaluation, based on actual conditions, disposal methods such as rework, alternative use, or repulping are adopted to ensure that non-conforming products do not enter subsequent processes or the market.

Inventory Management



Finished products are properly labeled and traceability is implemented in accordance with the "Product Identification and Traceability Control Procedure." The stacking and storage of base paper are managed according to the "Management Regulations for Base Paper Stacking." Additionally, production waste paper is handled and reused in line with the "Procedures for the Use of Waste Paper" to reduce resource waste.

Packaging and Transportation

Packaging and transportation of finished products are carried out in accordance with the "Process Notice" and the "Product Protection Control Procedure," with a focus on mitigating risks such as contamination and damage.

For long-distance transportation or when new packaging materials are to be used, transport suitability verification is conducted as needed to assess stability and reliability.

During the dispatch phase, empty vehicle inspections and post-loading checks are performed. Reinforced protective measures are applied to paper rolls with vulnerable edges and corners to reduce damage during handling and transportation.

Quality Assurance Measures

Intelligent System Applications

Industrial Internet of Things (IIoT) and Sensor Technology: Temperature, pressure, and level sensors are installed in the pulping process, while humidity sensors are deployed in the forming and drying sections. Relevant data are connected to the control system, enabling automatic data acquisition and precise adjustment of key parameters, thereby enhancing the stability and consistency of paper quality.

Process Control System (PCS) and Manufacturing Execution System (MES): The PCS precisely controls key parameters such as material flow rate, speed, and consistency during the papermaking process, ensuring the uniformity of pulp composition. The MES manages production scheduling and process execution, dynamically optimizes production plans based on order requirements, and monitors quality data in real time, supporting issue traceability and continuous improvement.

Automatic Weighing System: High-precision weighing and automated operations reduce human error and cost losses caused by measurement inaccuracies. The system also provides more reliable data support for inventory management, helping to optimize inventory levels and mitigate the risks of overstocking or shortages.

OA System: The OA system supports daily business workflows and information transmission. Through online processes and information-sharing mechanisms, it improves the efficiency of corporate transaction processing and reduces cross-departmental communication costs.



Equipment Calibration



To ensure the reliability of equipment operation, the Company has established a regular calibration mechanism. Equipment and instruments are calibrated annually by qualified third-party institutions to meet international and industry standards. Additionally, internal quarterly inspections are conducted to continuously monitor equipment performance, enabling the timely detection and correction of deviations.

On-Site Inspection



An inspection committee, composed of the heads of the Production Technology Department, Quality Inspection Department, Power and Information Department, along with branch factory managers, conducts regular inspections of production sites and related records. These inspections are carried out on a monthly basis, with a focus on standard implementation and record completeness, allowing for the timely identification of potential quality risks and the implementation of corrective actions.

Quality Culture Construction



Tiered Training

The Company actively conducts training activities to enhance job competency and strengthen quality awareness. Training content is designed according to different positions and levels, and learning outcomes are assessed through on-site spot checks, hands-on exercises, or written tests to ensure that training results are applied in actual work.

Onboarding training: Provides new employees with position-specific professional training to help them quickly familiarize with job requirements and key skills.

Regular Training: The Production Technology Department and Quality Inspection Department conduct monthly training sessions covering raw material usage, process flows, equipment performance and safe operation procedures, testing methods, product characteristics, and quality management systems. These programs help frontline employees better understand and implement quality requirements. Weekly department-level training sessions focus on key themes such as product quality improvement, customer complaint resolution, and R&D needs, ensuring management maintains continuous attention to critical quality enhancement priorities.

Ad Hoc Training: In cases of customer complaints or quality anomalies, special training and review sessions are organized to enhance targeted corrective capabilities and prevent recurrence of similar issues.



Practice Through Competition

The Company regularly organizes competitions on topics such as process and safety to encourage employees to enhance their skill proficiency and awareness of standardized operations, and to promote the dissemination of practical experience and best practices within the team.

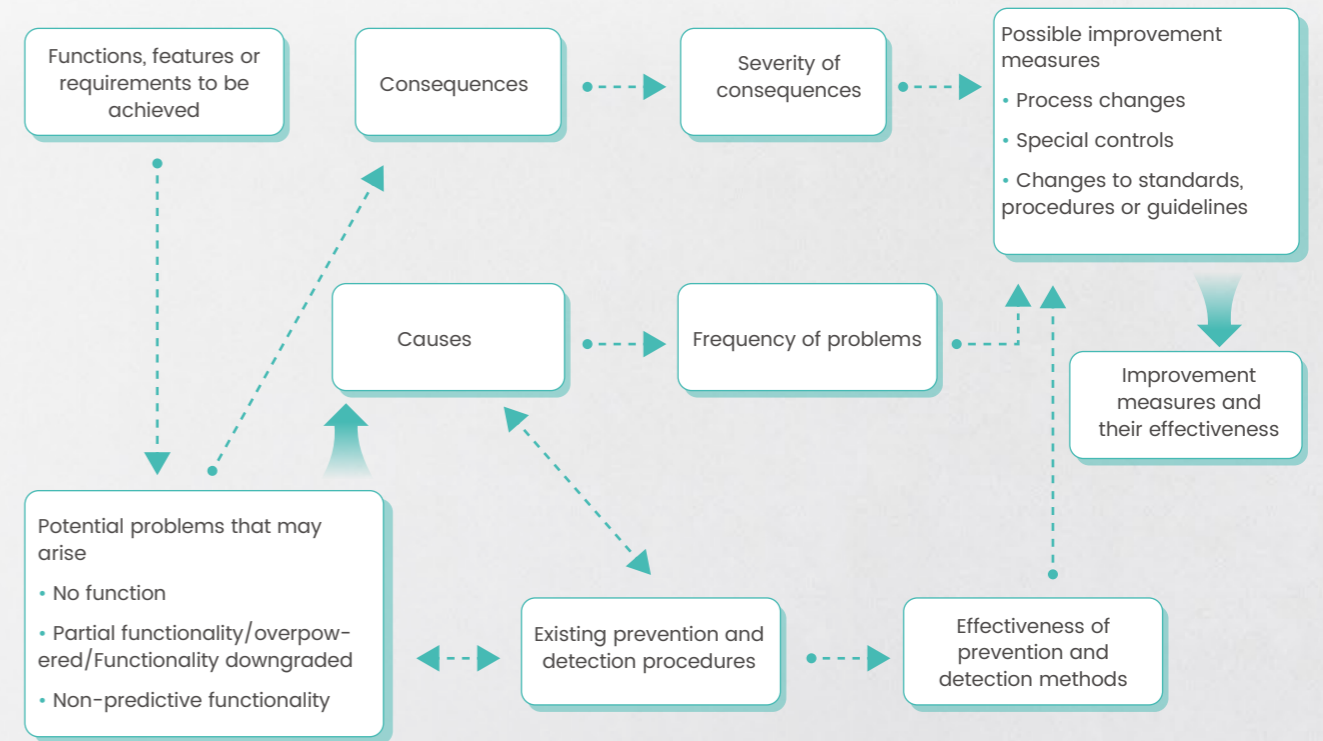
Key Performance 2025

Total cumulative quality training hours **35,728** hours

Quality Risk Analysis

The Company has implemented the PFMEA (Process Failure Mode and Effects Analysis) method in the production management of its electrolytic paper products. This approach systematically identifies and evaluates potential failure modes and their underlying mechanisms across all production processes, focusing on potential risk points to develop improvement plans and track verification results. Through this process, the Company continuously strengthens its process control capabilities and enhances product reliability.

▼PFMEA Analysis Process

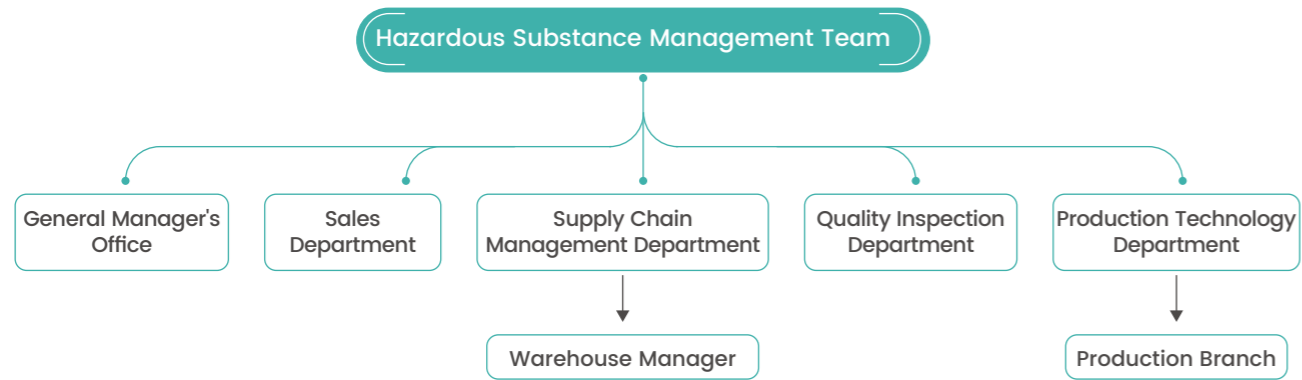


Hazardous Substance Control

The Company strictly implements hazardous substance control requirements across procurement, R&D and design, manufacturing, and packaging and storage to mitigate the risk of introducing restricted substances and preventing leakage. The Company conducts compliance verification of raw materials, auxiliary materials, and finished products in accordance with the RoHS Directive and customer requirements, while continuously monitoring potential hazardous substance leakage risks during production and storage. Additionally, the Company engages qualified third-party organizations to perform testing, effectively safeguarding the health and safety of employees and customers.

Management Structure

The Company established a hazardous substance management team with designated lead personnel, where the Deputy General Manager of Production oversees overall management and resource coordination to ensure the effective implementation of all management measures.

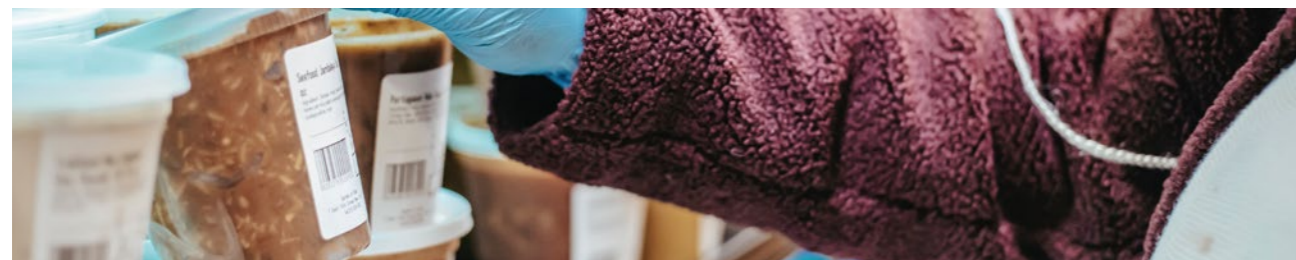


Policies and Standards

The Company has formulated and implemented management documents such as the "Hazardous Substance Control Procedure," "Hazardous Substance Management Standards," and "Hazardous Substance List" to clarify the scope of control and implementation requirements, ensuring that products comply with regulatory requirements at the production and operation sites as well as customer standards.

Training and Awareness

The Company conducts training activities on hazardous substance control for relevant departments and personnel, enhancing their understanding and implementation capabilities of key control measures. This initiative promotes the adherence to hazardous substance management requirements throughout all stages from product design, production to delivery, continuously improving the effectiveness and compliance of substance control.



Provision of High-Quality Services

Xianhe Co., Ltd. adheres to a direct sales business model of "production + service," taking high-quality products as the foundation for ensuring customer experience. Through regular communication, research, and feedback response mechanisms, the Company continuously improves its service system. Additionally, the Company continuously strengthens management measures such as customer privacy protection and responsible marketing to safeguard customer rights and trust, thereby enhancing long-term cooperative value.

Customer Service Management System

Through management systems including the "Customer Visit Management Measures", "After-sales Service Management Measures", "Complaint and Compensation Handling Procedures", and "Product Recall Control Program", the Company has clearly defined key service priorities for critical customer interactions. At the same time, the Company has established internal coordination mechanisms, whereby the Sales Department handles customer communication and consolidates feedback, while the Production Technology Department provides technical support, forming a service collaboration system with clear division of responsibilities and seamless coordination.

Key Performance 2025

The average customer satisfaction score was **92.59** points

A total of **115** questionnaires were distributed, and **92** valid responses were received

Customer Service

We continuously expand our service boundaries to establish a comprehensive service ecosystem covering material supply, technology R&D, process optimization, and market expansion. By enhancing internal resource integration and industrial chain coordination capabilities, the Company provides end-to-end service support throughout the product lifecycle, helping customers enhance their market competitiveness while meeting diverse and personalized needs.

Customized Development

- Deeply understanding and accurately capturing customer needs, providing customers with technically robust and highly targeted product solutions, enhancing customer loyalty, and strengthening brand affinity.

Flexible Production

- The production layout integrates key processes such as pulping, papermaking, and deep processing, equipped with modern papermaking production lines and multi-specification specialty paper machines, enabling stable production and smooth changeover across multiple categories of paper-based functional materials.
- A comprehensive production, logistics, and warehousing system has been established, facilitating the integration of information flow and business processes, improving cross-functional collaboration efficiency, and providing support for stable manufacturing and efficient delivery.
- Leveraging the advantages of flexible production and system integration, the Company quickly responds to market dynamics and changing customer needs, flexibly accepting orders featuring multiple varieties, small batch sizes, and short delivery lead times.

Product Traceability

- A traceable chain has been established through "unique identification per product" (one product, one code), enabling end-to-end tracking from product inbound to outbound. At the same time, monitoring and recording throughout the product lifecycle are strengthened, enhancing process transparency and customer trust.

Rapid Delivery

- Leveraging its own logistics team to coordinate transportation arrangements, combined with multiple modes such as sea, rail, and road transport to optimize routes and delivery times, improving delivery efficiency and shipment stability.

Accompanying Service

- Services cover order fulfillment, technical support, and after-sales response. The Company maintains continuous communication with customers through visits, conference calls, and technical exchanges, providing on-site technical training and guidance services when necessary.
- Customized solutions are delivered based on customer needs and preferences, and through regular communication, potential changes in requirements are promptly identified, enhancing customer satisfaction and cooperation affinity.

Satisfaction Survey

- Conduct in-depth customer satisfaction assessments regularly, focusing on dimensions such as product quality, delivery performance, after-sales experience, flexibility and adaptability, and transportation services. Continuously optimize product quality and service quality based on evaluation results.

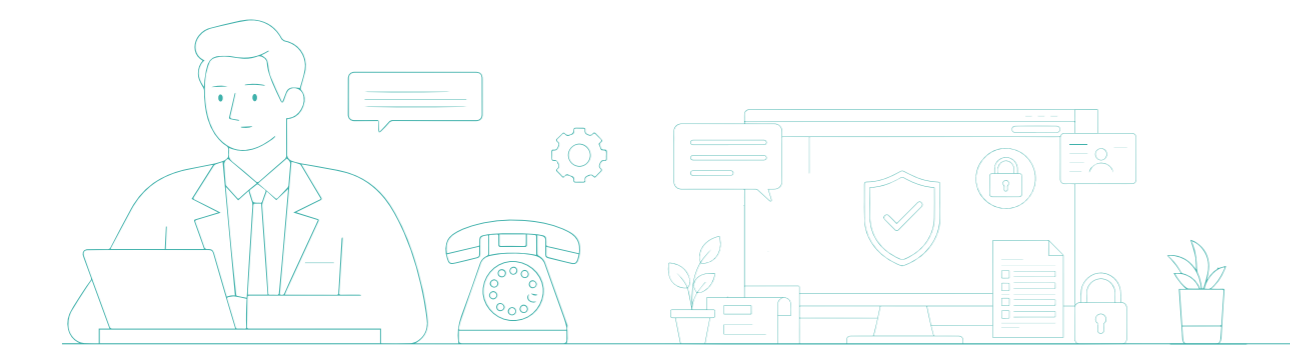
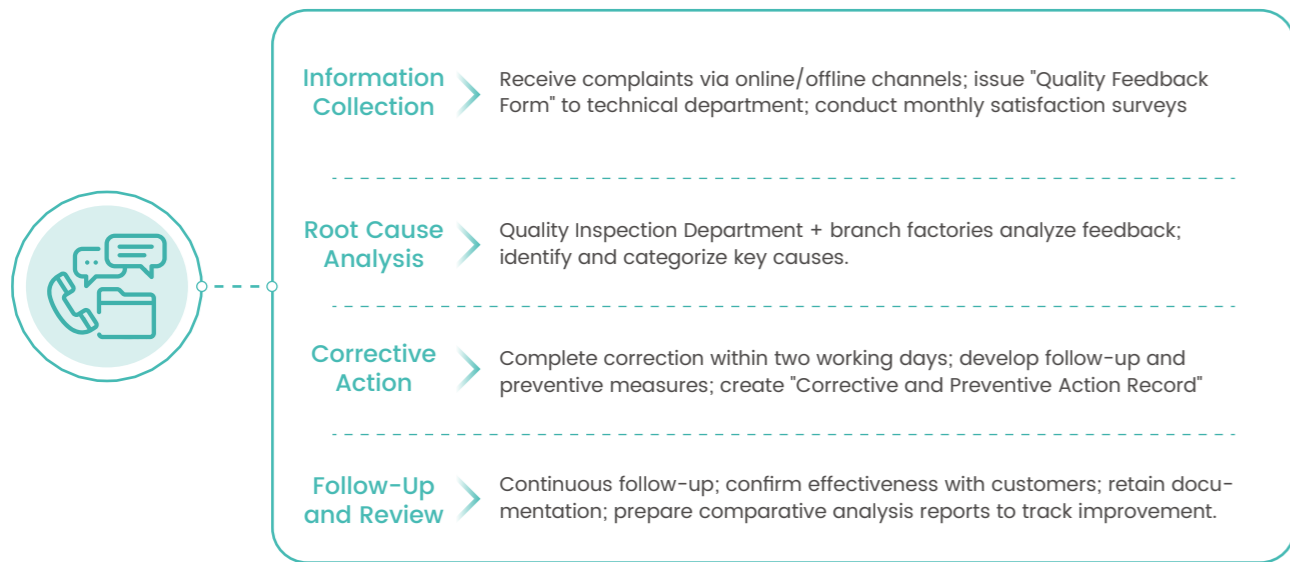
After-Sales Support

The Company collects customer feedback through multiple channels including customer service hotlines, fax, websites, and written surveys, while establishing response timelines requiring resolution within 24 hours for all inquiries. For major quality incidents, the Company promptly conducts root cause analysis and implements corrective measures, deploying technical support teams when necessary to ensure timely resolution of customer concerns. Internally, regular review sessions are conducted with relevant departments to analyze complaint patterns, driving continuous optimization of production processes and service protocols through targeted improvements addressing recurring issues.

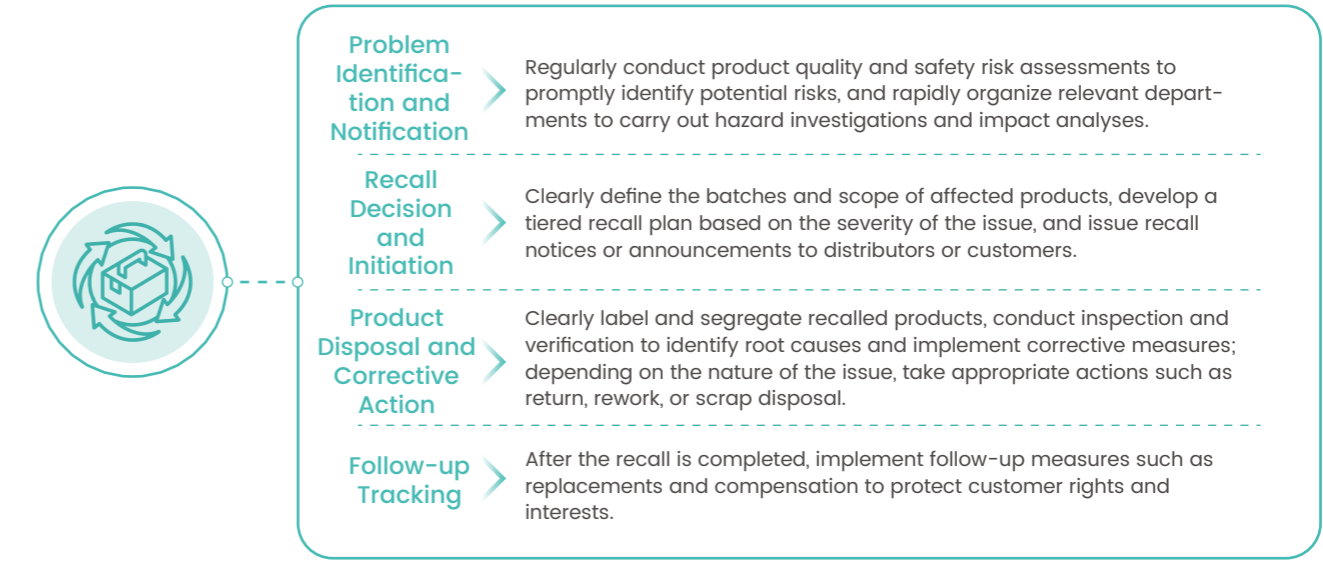
Key Performance By 2025, the Company

- No product recall incidents have occurred
- No major liability incidents related to product and service safety and quality have occurred.

Customer Complaint Management Procedure



Product Recall Control Program



Key Performance 2025

- 100% customer complaint handling rate
- The average customer complaints handling time per complaint is 2 days

Customer Privacy Protection

The Company strictly respects and safeguards customer privacy. The technical department oversees the operation, maintenance, and security management of information systems, with the "Information Management System" serving as the governing framework. Additionally, the Company has implemented multiple technical safeguards tailored to business needs, ensuring secure information exchange and data protection during operational integration. During the reporting period, no incidents of customer privacy breaches occurred.

Data Management

Customer information is centrally managed within the ERP system. Privacy-sensitive data is encrypted, and all access, modification, and deletion activities are systematically logged to enable traceability and ensure standardized management.

Access Management

Access is controlled via identity authentication and role-based permissions. Departmental access is tiered according to responsibilities, with sales personnel limited to viewing information relevant to their business scope. Furthermore, system access and operations are confined to the Company's internal network environment to strengthen perimeter control.

Responsible Marketing

The Company actively upholds the principles of responsible marketing, with a focus on compliance and personnel capability development as core priorities in marketing management. This approach supports long-term, stable growth and helps foster a well-regulated, orderly market environment.

Management System

The Company has implemented marketing policies and procedures to govern information release reviews and promotional activities, ensuring that all external communications are truthful, accurate, and complete, free from misleading or false content.

Training System

Marketing training is delivered through a tiered, role-based approach. New sales personnel receive systematic training on relevant laws and regulations, business overviews, product knowledge, and market development. Additionally, in line with market dynamics and regulatory changes, the Company organizes targeted sessions on marketing compliance, contract law, sales techniques, and case studies to continuously enhance team professionalism.

Connecting to a Green Future

The Company establishes its management framework based on key documents including the "Supplier Management System", "Supplier Evaluation and Assessment Procedures", "Procurement Control Procedures, and Sustainable Procurement Policy". These documents define critical operational requirements for supplier qualification reviews, comprehensive evaluations, sample verification and trial deliveries, as well as dynamic audits, thereby creating a comprehensive management system covering the entire supplier lifecycle. Simultaneously, the Company is committed to building a sustainable and resilient supply chain ecosystem. By actively guiding suppliers to adopt ESG principles through clear behavioral standards and enhanced process controls, the Company fosters a stable, efficient, and collaborative supply chain partnership environment.

Supplier Management

We have established a comprehensive supplier management system, with the board of directors overseeing supplier management operations. The Supply Chain Management Department leads supplier evaluations and field inspections, while departments including Quality Inspection, Production Technology, Power Information, and R&D conduct material and equipment verification. Additionally, the Company implements stringent supplier screening and assessment criteria that integrate environmental, social, and governance factors alongside business-related indicators to ensure supply chain operational efficiency and business stability.

Supplier Screening and Evaluation Dimensions

Business Relevance

Quality level, delivery capability, price, technical capability, after-sales service, and historical cooperation records

Environmental Performance

Energy and water resource utilization, climate impacts, and generation of pollutants and waste

Social Responsibility

Prohibition of forced labor and child labor, occupational health and safety management, anti-discrimination, employee rights protection

Governance and Compliance Level

Law-abiding and compliant operations, environmental and social responsibility management mechanisms, business ethics



Key Performance

Indicator	Unit	2025
Number of Responsible Marketing Training Sessions	Times	30
Total Participants in Responsible Marketing Training	Person-times	1,800
Coverage Rate of Relevant Personnel in Responsible Marketing Training	%	100
Average Responsible Marketing Training Hours per Person	Hours per person	2.5
Number of Customer-oriented Training Sessions	Times	30
Total Customer-oriented Training Hours	Hours	150

Supplier Management Process

Admission

- Require suppliers to submit a "Supplier Survey Form" and relevant compliance documentation, including RoHS reports from qualified third-party institutions, FSC/PEFC certification materials, as well as certificates related to food safety and environmental protection. The Company reviews and evaluates the above materials in accordance with industry standards and conducts annual updates and re-verifications.
- Sign documents with suppliers including the "Supplier Code of Conduct," "Guarantee Letter for Non-Use of Hazardous Substances," "Raw Material Composition Declaration Form," and "Investigation Form for Environmentally Hazardous Substances" to clearly define environmental and compliance requirements.
- Require suppliers to provide samples. After successful verification, proceed to the small-batch trial supply stage. Suppliers that pass the trial supply assessment are included in the "Qualified Supplier Directory."

Assessment

- Conduct annual performance reviews of key suppliers, evaluating dimensions such as quality, delivery, pricing, and after-sales service based on the "Supplier Performance Evaluation Form."
- Implement tiered management based on evaluation scores. Suppliers with low scores are given a three-month rectification period, after which a re-assessment is organized to determine subsequent cooperation and ordering arrangements.
- Develop a "Supplier Audit Plan" and, as needed, arrange personnel with second-party audit qualifications to conduct on-site supplier audits, verifying production conditions, quality control, and environmental and compliance management to ensure continued compliance with Company requirements.

Exit

- In the event of quality issues identified during irregular quality assessments, suppliers that fail to effectively improve after receiving a warning notice shall have their supply qualification immediately revoked.
- If, during the annual comprehensive evaluation, a supplier's overall score or quality score falls below the baseline, its qualified supplier status shall be revoked. If retention is necessary due to special circumstances, approval must be obtained from the Deputy General Manager of Production, and acceptance inspections shall be conducted under stricter criteria. Suppliers that fail the evaluation twice consecutively shall have their supply qualification permanently revoked.



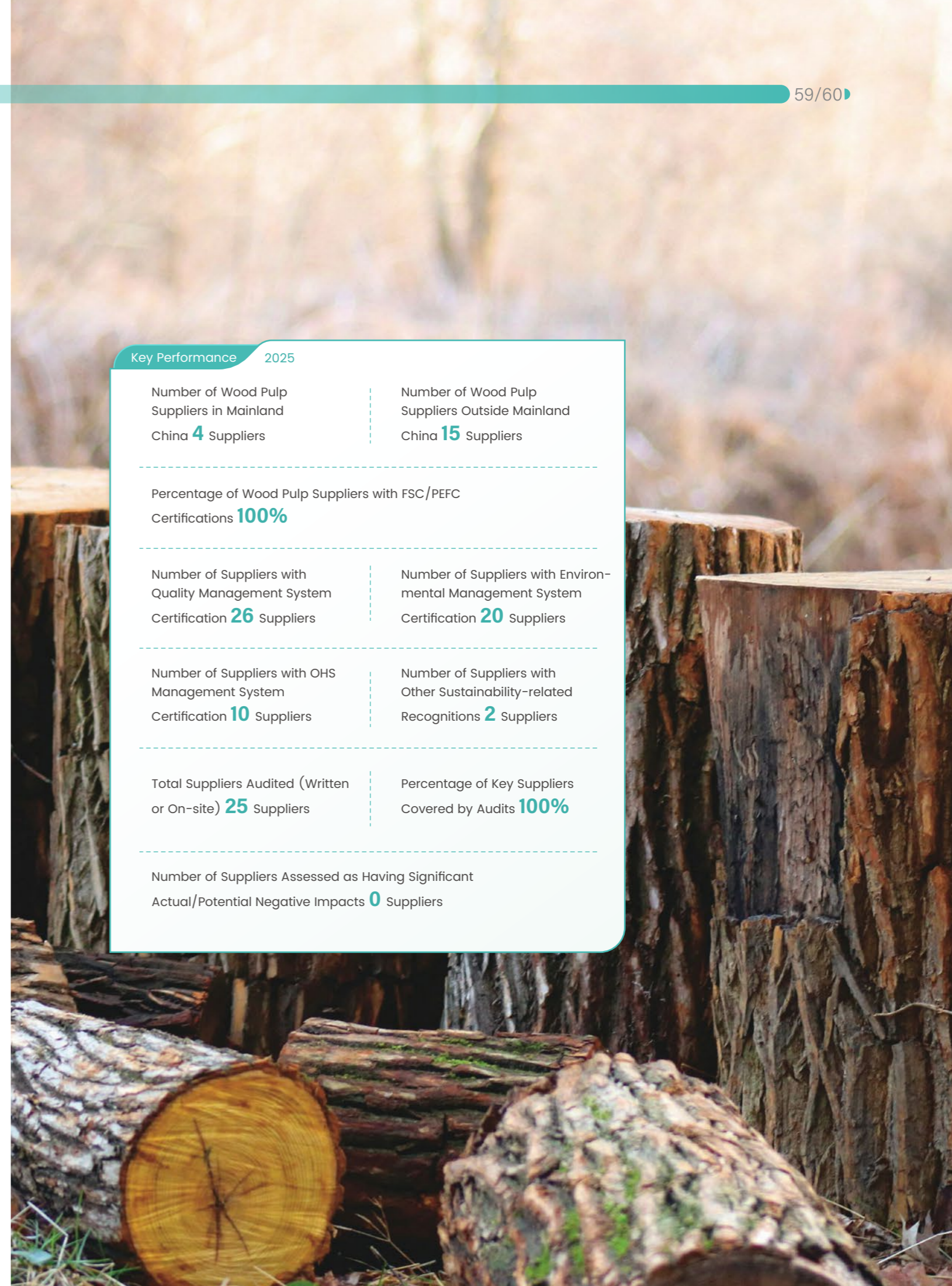
On-site supplier evaluation

In the process of selecting and managing key suppliers, the Company places special emphasis on risks related to countries, industries, and products. Through measures such as diversified procurement sourcing, sustainable forest management, and raw material quality control, the Company mitigates the impact of external uncertainties on raw material supply and product quality.

Risk Type	Potential Impact	Mitigation Measures
Country-Related Risks	Some of the Company's wood pulp raw materials are sourced from overseas regions. Factors such as trade frictions and changes in regional political situations may lead to increased tariffs and higher supply costs.	The Company diversifies its supply channels by expanding procurement from multiple countries including Brazil, Chile, Indonesia, and Canada, thereby reducing reliance on any single country. At the same time, the Company continues to advance its domestic self-produced pulp substitution strategy to enhance raw material supply security.
Industry-Related Risks	The acquisition and processing of wood pulp raw materials are highly dependent on natural resources and ecological conditions. Risks related to forest management, supply chain traceability, water resource stress and pollution, and greenhouse gas emissions may affect raw material availability and sourcing compliance, thereby impacting the stability of raw material supply and production continuity.	The Company actively promotes sustainable forestry practices, expands the scale of its owned and cooperative plantations, regulates harvesting activities, and progressively builds a more mature and controllable raw material resource system.
Product-Related Risks	Fluctuations in raw material quality may affect key paper properties and product consistency, thereby impacting end-product quality and customer experience.	The Company conducts testing of raw materials before they are put into use to prevent substandard materials from entering the production process, ensuring the stability of finished product quality at the source.

Key Performance 2025

Number of Wood Pulp Suppliers in Mainland China 4 Suppliers	Number of Wood Pulp Suppliers Outside Mainland China 15 Suppliers
Percentage of Wood Pulp Suppliers with FSC/PEFC Certifications 100%	
Number of Suppliers with Quality Management System Certification 26 Suppliers	Number of Suppliers with Environmental Management System Certification 20 Suppliers
Number of Suppliers with OHS Management System Certification 10 Suppliers	Number of Suppliers with Other Sustainability-related Recognitions 2 Suppliers
Total Suppliers Audited (Written or On-site) 25 Suppliers	Percentage of Key Suppliers Covered by Audits 100%
Number of Suppliers Assessed as Having Significant Actual/Potential Negative Impacts 0 Suppliers	



Supply Chain Security Assurance

Building on risk identification and control during supplier onboarding, the Company conducts comprehensive analysis of potential risk factors across the supply chain landscape and implements targeted countermeasures to ensure operational safety and stability.

Supply Chain Risk Types	Supply Chain Risk Description	Affected Business Segment	Supply Chain Security Assurance Measures
International Policy Risk	The Company's wood pulp suppliers are primarily located overseas, and changes in international environmental protection policies and trade regulations may impact its raw material supply chain.	Raw Material Procurement	<p>By advancing its integrated "forest-pulp-paper" layout, the Company has established a supply chain security assurance system while strengthening sustainable forestry management</p> <ul style="list-style-type: none"> • Forest: Enhance forestry resource layout and raw material base development, strengthen control over wood sources, and reduce the impact of raw material price fluctuations on supply chain operations. • Pulp: Establish self-produced pulp production lines to effectively connect forest raw materials with papermaking processes, strengthen raw material quality control and production coordination capabilities, and reduce reliance on uncertain external supply. • Paper: Leverage a large-scale, intelligent manufacturing system to enhance production scheduling and management, improve delivery efficiency, and strengthen adaptability to changes in market demand. • Application: Strengthen coordination with downstream customers, improve demand matching and order response efficiency, and reduce inventory and delivery risks. <p>The Company has entered into long-term agreements with major raw material suppliers, specifying procurement quantities and prices to enhance supply stability and cost predictability. Concurrently, the Company actively expands alternative suppliers to optimize the supply structure and reduce dependence on single suppliers.</p> <p>The Company strengthens communication with suppliers, industry associations, and traders to stay informed of changes in domestic and international policies and market conditions, thereby enhancing risk anticipation capabilities.</p> <p>The Company has established long-term cooperation mechanisms with logistics service providers, defining transportation standards and service requirements to ensure the stability of raw material procurement and finished product delivery.</p>
Natural Disaster Risk	Environmental events such as earthquakes and fires damage plantation forests.		
Downstream Demand Fluctuation Risk	Changes in the performance of downstream industries may lead to market demand fluctuations, thereby affecting the Company's production arrangements.	Production and Sales	
Logistics Transportation Risk	Impacts and collisions during transportation may cause product deformation.	Finished Product Delivery	

Sustainable Procurement

In compliance with international conventions and initiatives, national laws and regulations, as well as industry standards, the Company has formulated and implemented the "Sustainable Procurement Policy" to promote sustainable supply chain development and mitigate ESG risks. The Company prioritizes suppliers with strong ESG performance in its selection process and contract awarding, while clearly defining collaboration requirements through documents such as the "Supplier Code of Conduct."

The Company regularly conducts relevant reviews to facilitate the implementation of established policies during procurement processes and monitor suppliers' compliance with commitments. Additionally, we encourage all parties to report potential violations of policies or collaboration requirements through public reporting channels, enabling timely identification of issues and continuous improvement.

Sustainable Procurement Strategy

Fair Working Environment

- Suppliers shall ensure employees' rights to rest and leave, provide fair compensation and benefits, and comply with applicable laws and standards regarding working hours. Working hours and overtime shall be reasonably arranged, with overtime being voluntary and compensated in accordance with legal requirements.
- Suppliers shall prohibit discriminatory practices, guarantee employees' rights to assembly and freedom of association, adopt a zero-tolerance policy toward forced labor, and strictly prohibit the use of child labor.

Factory and Process Safety

- The design and operation of suppliers' production facilities and manufacturing processes shall ensure safety. Regular risk assessments shall be conducted, and identified risks shall be addressed with timely corrective and preventive measures to ensure the safety of employees, the public, and surrounding communities.
- Suppliers shall establish and rigorously implement occupational health and safety management systems and operating procedures, provide necessary protective equipment and sanitary facilities, and ensure that workplaces meet health and safety requirements.

Product Safety

- The products provided by suppliers and their intended use should comply with health and environmental safety requirements, and meet relevant requirements such as responsible forest sourcing and traceability.
- Suppliers shall provide necessary safety handling and product usage information, with particular attention to products containing hazardous substances, and their safety shall be assessed during the risk assessment procedure.

Fair Competition and Anti-Corruption

- Suppliers shall uphold the principles of fair competition and honest transactions, comply with applicable laws and regulations related to anti-monopoly, fair competition, anti-fraud, anti-bribery, and anti-corruption, and maintain a fair and orderly business environment.

Environmental Impact Reduction

- The Company is committed to reducing environmental impacts in terms of energy, water, and waste, promoting the development of a circular economy, and expects suppliers to support our efforts to reduce our environmental footprint by establishing and pursuing environmental protection goals similar to those of Xianhe.
- The Company pays attention to biodiversity and land use risks and requires suppliers not to engage in illegal deforestation or improper land development practices.

Supply Chain Transparency

- Work closely with suppliers to jointly build a transparent and traceable supply chain system, effectively assess and monitor potential risk factors, and ensure that raw material procurement complies with the Sustainable Procurement Policy.

Supplier Communication

We prioritize communication with suppliers, conducting awareness campaigns and experience sharing based on practical needs during collaboration to help them enhance business capabilities and ESG performance.



Supplier Communication Event



Key Performance

Indicator	Unit	2025
Number of Suppliers Signed with ESG Clauses	Suppliers	6
Number of Internal Procurement Training Sessions	Times	10
Coverage Rate of Internal Procurement Training	%	100

Key Performance 2025

- Guangxi Xianhe New Materials Co., Ltd. has obtained FSC Chain of Custody (FSC-CoC) certification
- Guangxi Xianhe Forestry Co., Ltd. has obtained FSC Forest Management (FSC-FM) certification
- Zhefeng New Materials Received Gold Medal in EcoVadis Sustainability Rating
- Xianhe Co., Ltd., Zhefeng New Materials, Guangxi Xianhe New Materials, and Hubei Xianhe New Materials have all established due diligence systems in compliance with EUDR requirements, which have been evaluated and certified by qualified third-party institutions



Green Logistics

The Company continues to advance initiatives such as material substitution, packaging reduction, and recycling. At the same time, by reasonably arranging transportation methods and routes, it promotes the development of greener and more efficient logistics and transportation processes, thereby supporting the low-carbon transformation of the supply chain.



Application of Eco-Friendly Packaging Materials

- Priority is given to the use of renewable and biodegradable materials such as wooden boards and kraft paper. The use of plastic packaging materials is reduced within feasible limits to lower environmental impact.



Packaging Structure Improvement

- Under the premise of ensuring product protection and transportation safety, continuously optimize packaging solutions to reduce unnecessary use of packaging materials:
- In the finished product packaging stage, the number of kraft paper layers is reduced based on product strength and transport conditions, thereby lowering material consumption and waste generation.
- For the transportation of raw and auxiliary materials such as starch, traditional single-layer packaging is replaced with a "bulk bag" structure, where large-capacity containers enhance loading/unloading efficiency and transport stability.



Packaging Material Recycling

- Reusable packaging is adopted, and the service life of packaging materials is extended through recycling and return systems to improve resource circularity:
- Vehicle compartment protection and securing measures for finished product transport have been improved, with reusable transport protection facilities replacing single-use protective materials.
- Old wooden pallets are repaired and refurbished to extend their service life, reducing the consumption of new wood materials.
- Waste materials such as paper cores, woven fabrics, and kraft wrapping paper are collected, sorted, and reused in appropriate scenarios, improving packaging material efficiency.



Promotion of Green Transportation

- For nearby suppliers, the Company uses energy-efficient and environmentally friendly transport vehicles for cargo delivery, effectively reducing exhaust emissions and noise pollution during transportation.



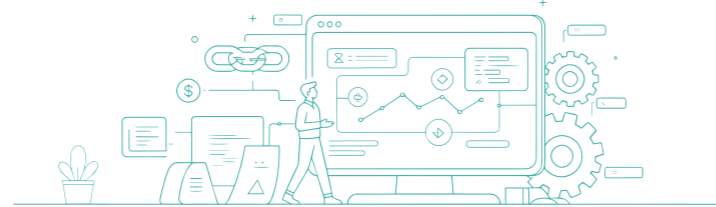
Optimization of Transport Routes

- Through scientific planning of transport routes and logistics network layout, transportation organization efficiency and delivery accuracy are improved.
- In certain transport segments, priority is given to waterway transportation, using inland river barges as substitutes for long-distance road transport, thereby reducing transportation costs and lowering energy consumption per unit.

Equal Treatment for Small and Medium-sized Enterprises

Adhering to the core principle of "promoting equal opportunities in supply chains," the Company prohibits discriminatory practices based on supplier size or ownership structure, actively fosters a fair and transparent competitive environment, and ensures equal procurement participation for small and medium-sized enterprises (SMEs). At the reporting period's end, the Company's accounts payable balance (including notes payable) did not exceed RMB 30 billion, representing less than 50% of total assets. Neither the Company nor its subsidiaries have disclosed overdue payments to SMEs through the National Enterprise Credit Information Publicity System.

Supporting Industry Development



Industry Collaborative Development

While steadily advancing its own business development, Xianhe Co., Ltd. actively plays a demonstrative and driving role within the industry. Leveraging its leading advantages in product R&D, manufacturing capabilities, and market application, the Company proactively participates in the development of standard systems and industry exchange activities. Through standard-setting, experience sharing, and technical exchanges, it promotes industry standardization and technological innovation.

Standard Development

The Company has taken the lead in formulating the national standard for Bible paper and has also participated in the development of national standards for products such as carbonless copy paper, interleaving paper for cold rolled metal sheets, electrolytic capacitor paper, super calendered paper, medical packaging paper and board, as well as testing methods including the determination of dichloromethane extractives in pulp and the determination of titanium dioxide content in paper and board. In addition, the Company has led the development of the industry standard for baking paper and participated in the formulation and revision of industry standards for bookbinding paper, vacuum aluminum coating base paper, sublimation base paper, tipping base paper, and supercapacitor paper. Six "Zhejiang Made" standards have been officially released, including those led by the Company for sublimation base paper, single-sided glazed tipping base paper, baking base paper, and Bible paper, as well as those participated in by the Company for negative ion wallpaper and tipping paper. In 2025, the Company participated in the revision of the standard "Research on Key Technical Indicators of Electrolytic Capacitor Paper."

Exhibition Participation

Leveraging industry exhibitions as a platform, the Company actively shares its practical experience and innovative approaches in the field of high-performance paper-based functional materials. It continuously strengthens communication and collaboration with customers, partners, and other stakeholders across the industrial chain to facilitate business and technical exchanges, thereby contributing to the sustainable development of the industry.

Exhibition Name	
Labelexpo Asia 2025	Labelexpo Europe 2025
2025 Paper-based Materials Exhibition	ICDM Autumn 2025
ICDM Spring 2025	Labelexpo Southeast Asia 2025
World Tobacco Middle East 2025	ITMA ASIA + CITME Singapore Expo 2025
2025 Guangxi International Forest Products and Wood Products Exhibition	World Tobacco Asia 2025
2025 APPP EXPO Shanghai International Printing Exhibition	ALLPRINT INDONESIA exhibition



Exhibition participation

Digital Transformation

The Company actively embraces the convergence trend of informatization and industrialization. As a national pilot unit for the integration of informatization and industrialization management system certification, it adheres to the "Digital Xianhe" Industry 4.0 management innovation strategy, continuously enhancing its digital management capabilities and smart manufacturing standards.

The Company has comprehensively implemented ERP data management and OA collaborative office systems, achieving digital transformation and paperless operations across business processes including human resources, procurement, manufacturing processes, finance, and administrative approvals. These initiatives provide essential data foundations for intelligent manufacturing systems. The Company's "Smart Workshop" integrates digital twin technology, AI-powered visual monitoring, and 5G solutions. By leveraging comprehensive production data collection and analysis, it enhances lean management capabilities, significantly improves product quality rates, and reduces production anomalies. Pilot workshops have adopted 3D modeling and dynamic data visualization systems to enable digital mapping and visual management of critical production stages. Through system integration, workshops are progressively deploying digital twin systems and AI-powered dust cap monitoring solutions. Real-time data interoperability between production systems and ERP platforms strengthens unified production management and collaborative coordination, providing robust support for resource allocation and flexible manufacturing operations.

The Company will integrate production layout planning to continuously advance the development of intelligent manufacturing systems, promote the widespread application of smart equipment and digital systems in production processes, enhance overall manufacturing efficiency and management capabilities, and provide practical experience for the intelligent transformation in the field of high-performance paper-based functional materials.

Key Performance

Xianhe's "Smart Workshop Artificial Intelligence Application Scenario" was selected for the 2025 Zhejiang Provincial Artificial Intelligence Application Scenario list.

Partnership Section

People-Oriented and Shared Prosperity

Xianhe Co., Ltd. regards every employee as a member of the "family" and is committed to making everyone feel warmth and a sense of belonging. We advocate the core values of "people-oriented, family as the foundation, harmony as the priority, and virtue as the principle." We effectively protect employee rights and health, provide a fair and just welfare system and career development opportunities, and let the "family culture" become the main theme of Xianhe's development. Furthermore, Xianhe holds a strong sense of social responsibility, embarking on the path of shared development in rural areas, enthusiastically supporting students in need through public welfare initiatives, and conveying the warmth of "home" to society.

- 69 Employee Benefits and Welfare
- 77 Employee Growth and Development
- 84 Employee Health and Safety
- 89 Philanthropy and Social Contribution



Employee Benefits and Welfare

Protecting employees' rights and welfare is an inherent part of Xianhe's 'family culture.' In accordance with relevant laws and regulations, we have established a comprehensive employee rights and compensation benefits system, adhering to a diversified talent policy to provide employees with fair and equitable salaries and benefits.

Rights Protection

The Company adheres to internationally recognized human rights standards and complies with relevant laws and regulations including the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China." It has established the "Labor Management Policy" and the "Anti-Discrimination and Anti-Harassment Management Policy" to regulate employment practices and protect the legitimate rights and interests of its employees.

Key Performance In 2025

The Company was awarded the title of "Labor Harmonious Relations Enterprise in Quzhou City".

Respect for Human Rights



We hereby commit: "The Company pledges to adhere to internationally recognized human rights standards in all business and management activities, respecting and safeguarding the fundamental human rights of employees and relevant stakeholders. We explicitly prohibit all forms of human trafficking, forced labor, and child labor practices. Employees are guaranteed their lawful rights to freedom of association and collective bargaining. Our employment management practices uphold principles of equality and non-discrimination, actively preventing discrimination based on gender, age, ethnicity, religion, or any other unjustifiable grounds."

Anti-Discrimination and Anti-Harassment

Xianhe has established the "Anti-Discrimination and Anti-Harassment Management Policy," which explicitly prohibits both sexual and non-sexual harassment. Through onboarding training sessions, the Company helps employees understand discriminatory and harassing behaviors as well as the reporting procedures. Corrective actions or disciplinary measures are taken against any acts of discrimination or harassment. In 2025, the Company recorded no incidents of discrimination or harassment.



Standardized Employment



Xianhe consistently upholds the principles of fairness and equality in employee management, dedicated to safeguarding employees' fundamental rights and interests.



Payment of Living Wage

Timely and full payment of employee salaries, ensuring that wage levels meet the basic living needs of employees.



Equal Pay for Equal Work

Regularly monitor basic salary gaps between employees of different genders to ensure equal pay for equal work.



Working Time Management

Set maximum working hours limits to avoid excessive working hours, reduce the negative impact of overtime on employee health, and ensure that employees receive corresponding overtime compensation.



Health Protection

Provide social insurance and paid annual leave to ensure employees have necessary protection and adequate rest, promoting their physical and mental well-being.



Personnel Adjustment Management

Establish minimum negotiation and notice periods for large-scale layoffs to ensure a smooth transition for employees. The Company does not involve such scenarios in its operational processes.

Key Performance In 2025

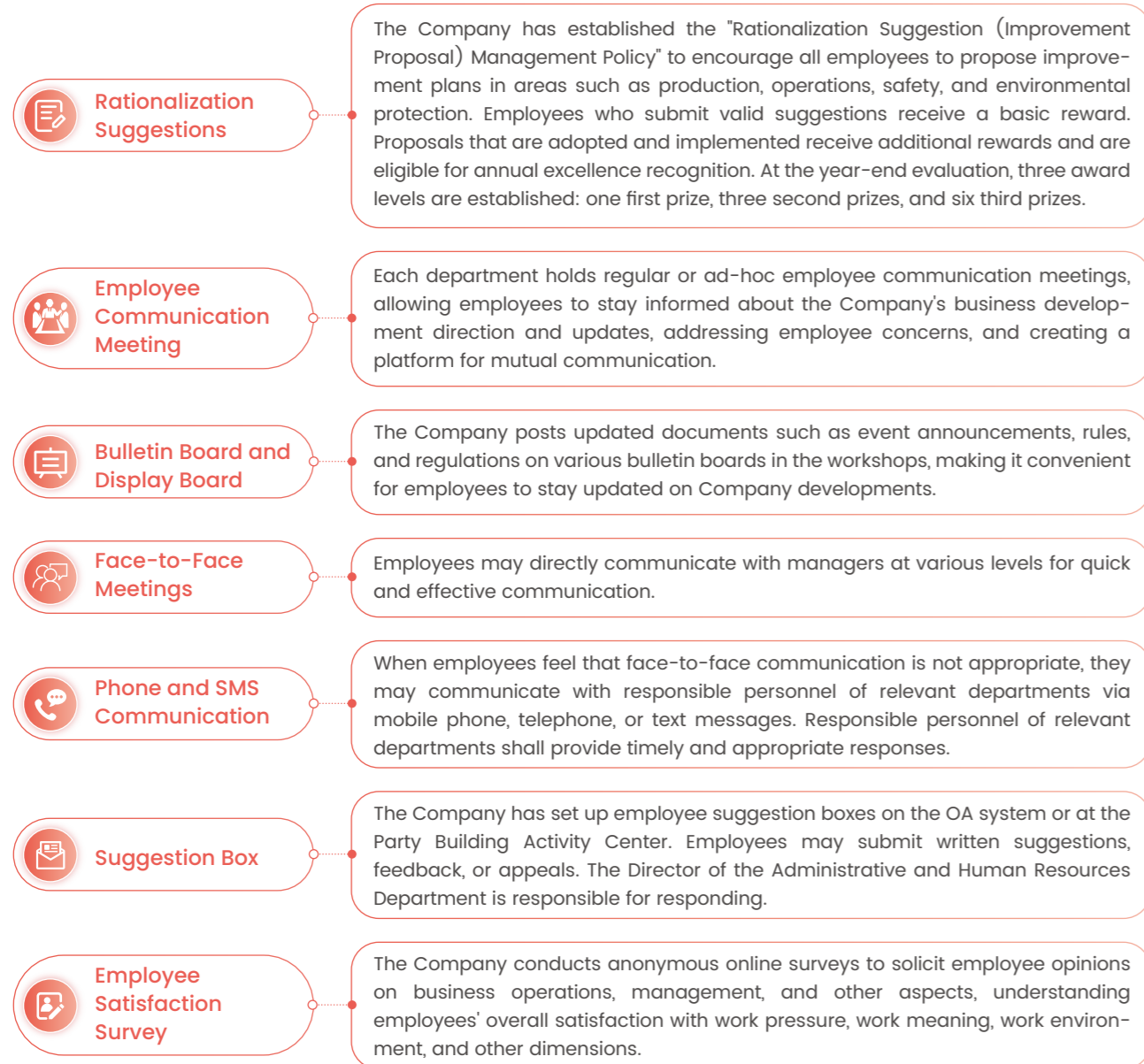
Total employees **7,071** Persons

Thereof: employees from ethnic minorities **1,205** Persons

Employee labor contract signing rate **100%**

Democratic Management

The building of a "family" relies on the collective wisdom and efforts of all employees. The Company has established the "Rationalization Suggestion (Improvement Proposal) Management Policy," calling on employees to actively communicate, provide timely feedback and suggestions, and participate together in democratic management. Through diverse communication channels, the Company listens to employees' voices and fosters a harmonious and stable working atmosphere.



Key Performance In 2025

Employee union membership rate **100%**

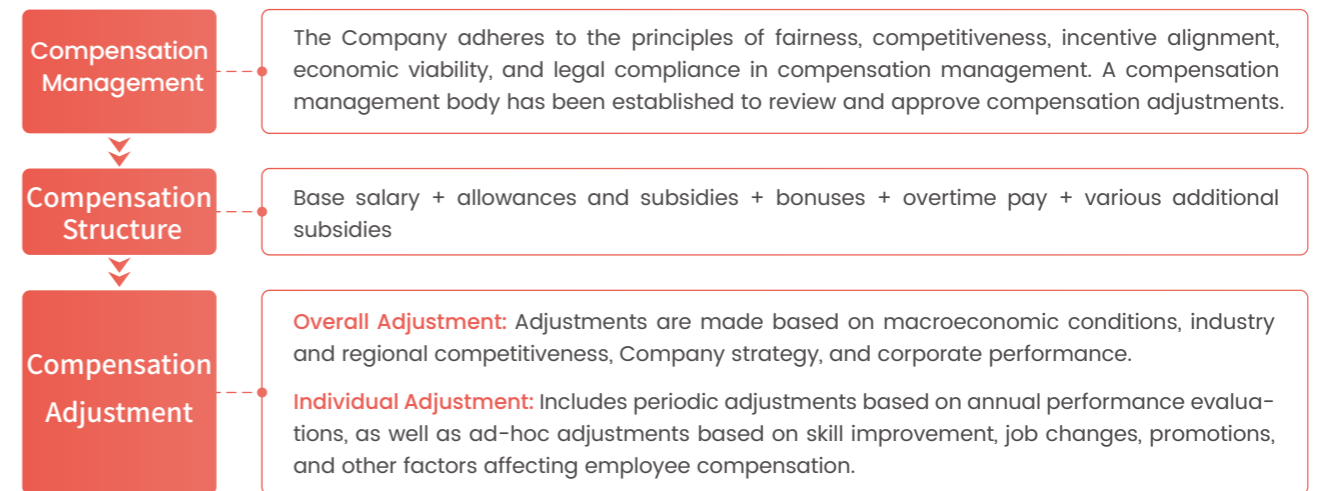
Collective agreement coverage rate **100%**

Employee Compensation and Benefits

Employees are our core partners in business development. Xianhe Co., Ltd. not only provides competitive compensation packages but also focuses on building a comprehensive care system, striving to create a supportive and caring work environment that enhances employees' sense of fulfillment and belonging.

Compensation Management

We adhere to the principle of "putting the right people in the right roles and sharing benefits together." The Company has established employee compensation-related policies including the "Employee Handbook," "Compensation Management Policy," and "Talent Incentive Policy." The Company's compensation management body, led by the Chairman of the Board, is responsible for reviewing compensation adjustment plans and employee incentive measures.



Xianhe not only focuses on the fairness and justice of its compensation system but also places great emphasis on recognizing and encouraging outstanding employees. Each year, the Company allocates 0.5% of its total annual sales as an annual talent incentive fund, establishing Special Prizes, First Prizes, and Second Prizes to reward teams or employees who have made significant contributions to the Company's business operations and development.

To ensure the diversity, fairness, and continuity of performance evaluation, the Company conducts team performance assessments in the form of monthly regular meetings. Through annual summaries, it comprehensively evaluates team and individual performance in areas such as goal completion, work achievements, innovations in work or management methods, and rationalization suggestions, thereby fully affirming employees' personal contributions and value creation.



Welfare System

Material Benefits

Performance Allowance

Including position allowances, technical skill allowances, and education background allowances

Social Insurance and Housing Fund

Including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund

Various Subsidies

Including wedding gifts, childbirth gifts, condolence money, birthday gifts, apartment allocation, employee health check-ups, meal subsidies, night shift allowances, phone charges, travel expenses, or special position allowances, etc.

Material Benefits

Team Building Activities

Including employee tours, speech contests, skill competitions, etc.

Physical and Mental Care

Providing a health management room equipped with medical testing equipment; collaborating with hospitals to organize periodic health seminars

Organizing Recreational and Sports Activities

The Company actively cares about the physical and mental health as well as the holistic development of its employees. It regularly organizes a variety of recreational and sports activities to improve employees' physical fitness and psychological well-being, while enriching their after-work lives.



Caring for Employee Well-Being

Xianhe's "Family Culture" initiative strives to extend the warmth of home to every employee's personal life. Each base features dedicated talent apartments offering two-bedroom, one-living-room suites ready for immediate occupancy by married employees. The facilities also include a provincial second-class standard "Xianhe Kindergarten," wellness pavilions, breastfeeding rooms, billiard rooms, and fitness centers. During summer vacations, the Company regularly hosts charitable childcare programs and provides family support positions to help employees balance work and family life.

Key Performance

In 2025

The Company was awarded the title of "Child-Friendly Enterprise"

Employee Living Service Facilities



Dormitory Apartment

Provide a clean and comfortable living environment, equipped with air conditioning, hot water, private bathroom, and balcony with a view, meeting employees' daily living needs.



Recreational Spaces

Sports and Fitness Area

Equipped with table tennis tables, billiards tables, treadmills, and other fitness equipment, as well as a standard basketball court, providing a multi-purpose space for physical exercise and stress relief.

Chess Room

Equipped with various chess sets, allowing employees to play chess, make friends, and enrich their after-work cultural life.

Library

Create a tranquil reading space to enrich employees' spiritual and cultural lives, and facilitate personal growth.



Supporting Services

Convenience Store

Features daily necessities and fresh food sections, meeting employees' daily shopping needs.

Barbershop

Haircut vouchers are distributed monthly to employed staff to enhance their quality of life and sense of well-being.

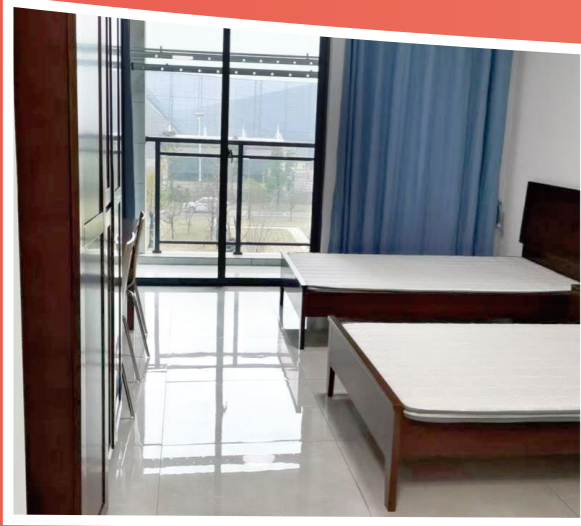
Charging Stations

Equipped with new energy vehicle charging areas, meeting employees' daily commuting charging needs.

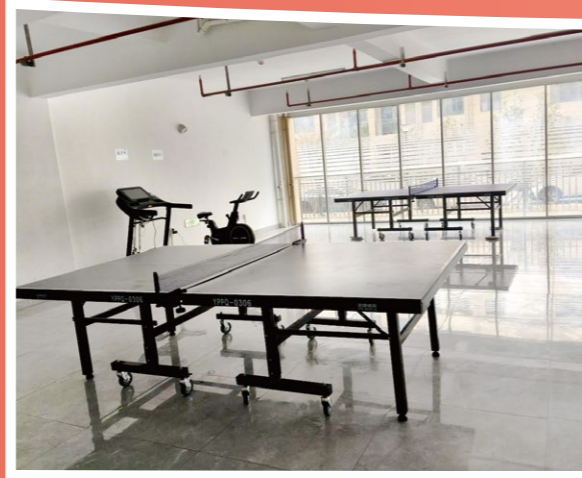
Parcel Locker / Courier Station

Provides convenient parcel pickup and delivery services, improving employees' daily convenience.

Employee living facilities



Dormitory Rooms



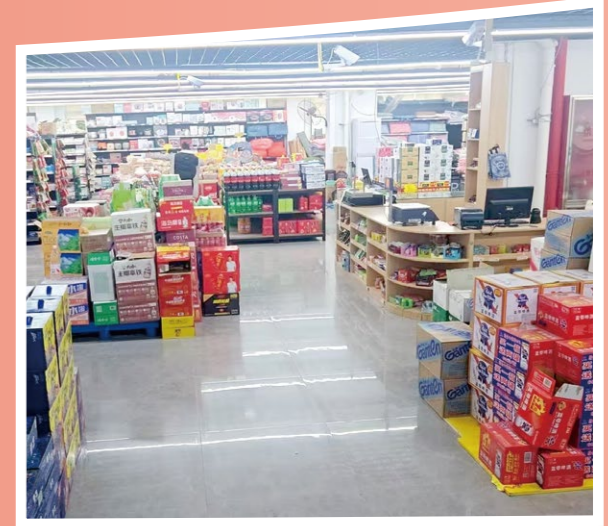
Activity Room (Table Tennis Area)



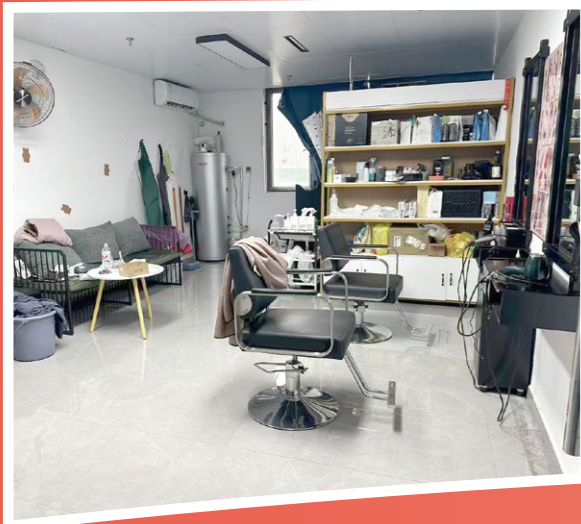
Leisure and Communication Area



Parking Area



Convenience Store



Hairdressing Room



Recreation Room (Billiards Area)



Sports Ground



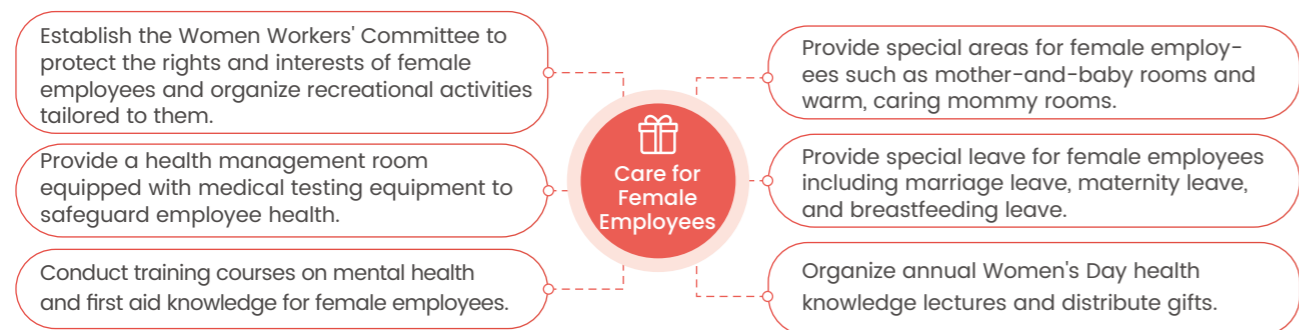
Electric Vehicle Charging Facilities



Service Station

Care for Female Employees

The Company fully respects and protects the legitimate rights and interests of its female employees, providing them with a safe and comfortable working environment. We respond to the needs of female employees and care for their health through measures such as establishing a Women Workers' Committee, providing special leave, and organizing activities.



Employee Support

Xianhe firmly believes that the "Family Culture" stems from mutual help and joint progress among all employees. The Company actively assists employees facing difficulties, helping them apply for government subsidies, and carries out "Warmth Delivery" activities. The Xianhe Labor Union staff deeply care about employees' lives, show concern for frontline production workers, visit employees hospitalized due to illness, and offer condolences to deceased employees or their families, conveying the warmth and support of "home."

Key Performance In 2025

Number of employees receiving assistance	Total investment in assisting employees in need
36 Persons	72,000 Yuan

Employee Growth and Development

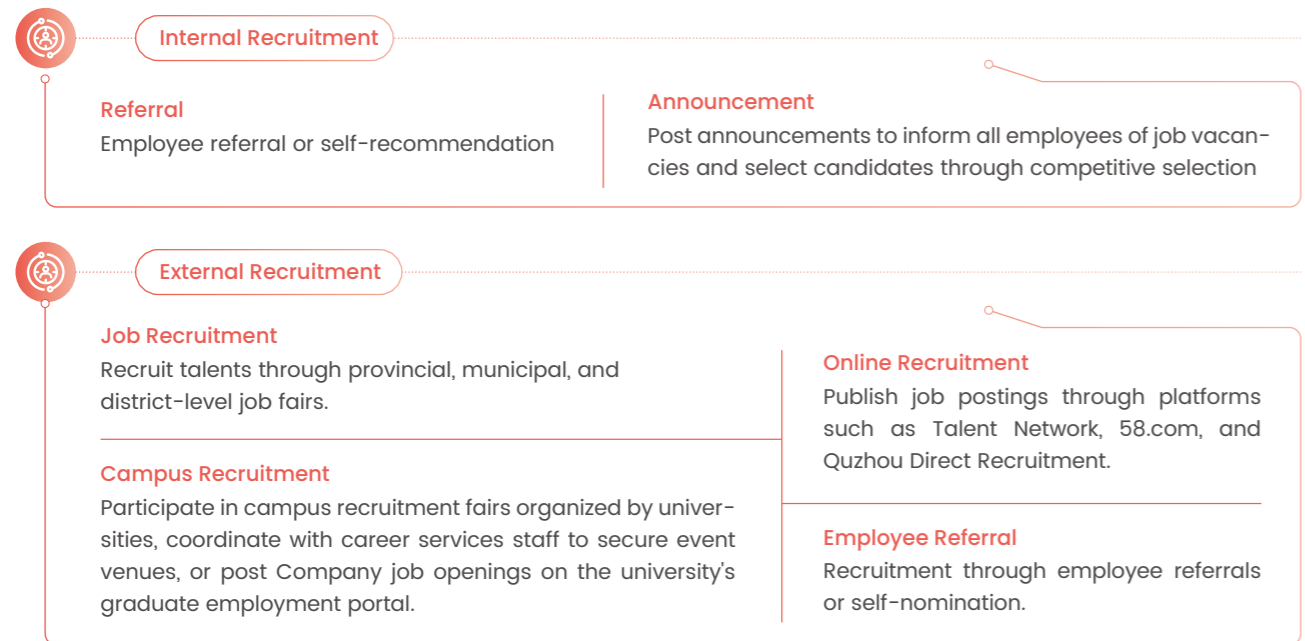
Xianhe adheres to the philosophy of attracting top talent, nurturing exceptional professionals, leveraging their potential, and retaining them long-term, consistently aligning employee growth with corporate development. We actively expand recruitment channels and provide employees with extensive career opportunities. Through ongoing training programs, we empower staff to realize their full potential, thereby strengthening the Company's intrinsic drive for sustainable growth and innovation.

Talent Acquisition

Xianhe fully recognizes that talent serves as the core driving force for sustainable corporate growth. We have established the "Talent Acquisition Management System" and "Recruitment and Employment Management System" to meet our talent needs through both internal and external recruitment channels. The Company provides promotion opportunities and career development paths for existing employees while attracting external talent via campus recruitment, social recruitment, and internal referrals. Additionally, we actively collaborate with universities by launching the "Xianhe Targeted Program," which offers financial support, specialized professional training, and internship opportunities to students, thereby cultivating and attracting outstanding new talent to join our organization.

The Xianhe production bases are distributed across multiple regions including Zhejiang, Guangxi, Hubei, and Henan. We adopt a localized employment strategy, with employees at each production base predominantly being local residents, thereby assisting in addressing employment issues and promoting regional economic development.

To address the demand for senior talent, we adopt a "flexible recruitment mechanism," employing diversified approaches such as intellectual introduction, part-time employment, temporary hiring, technical cooperation projects, or undertaking research projects to attract high-level professionals with specialized expertise under the principles of fairness and justice.



Key Performance In 2025

In 2025, the proportion of local employees in the Company was approximately **70%**



Institution-Enterprise Cooperation

Institution-enterprise cooperation serves as a vital channel for recruiting new talents at Xianhe and is a crucial step in cultivating industry newcomers. Xianhe has established partnerships with numerous educational institutions to facilitate a two-way exchange of theoretical knowledge and practical experience. Through initiatives where Company employees teach practical skills on campus and faculty/students visit Xianhe for internships, we foster a responsible corporate image among educators and students, laying a solid foundation for campus recruitment.

Xianhe has built stable cooperative relationships with institutions such as Quzhou Technician College, Guangxi Vocational & Technical College, Guangxi Vocational College of Water Resources and Electric Power, Guangxi Science & Technology Normal University, Guangxi Light Industry Technician College, and Hubei Industrial Automation Technician College. By establishing targeted classes and "order-based" training programs, we provide faculty and students with hands-on opportunities on the front lines and offer students priority for employment, ensuring that what they learn can be effectively applied in practice.

Case Study Hubei Xianhe New Materials: Opening a New Chapter in Institution-Enterprise Collaboration

Hubei Xianhe New Materials has established a "Three-Dimensional System" comprising targeted training, specialized training, and internship practice. The targeted classes in collaboration with Hubei Industrial Automation Technician College have expanded to cover five major disciplines, including Fine Chemical Engineering, Electrical Technology Application, and CNC Machining. Through a "dual-mentor mechanism" involving both corporate and academic mentors, we ensure that training outcomes are seamlessly translated into practical work capabilities.

In 2025, through this targeted class model, Hubei Xianhe provided full-process mentorship to 30 students. During their internships, the students achieved a 100% rate in both job suitability and skill compliance. This initiative effectively replenishes core positions in production lines and R&D, injecting fresh blood into the sustainable development of the base.

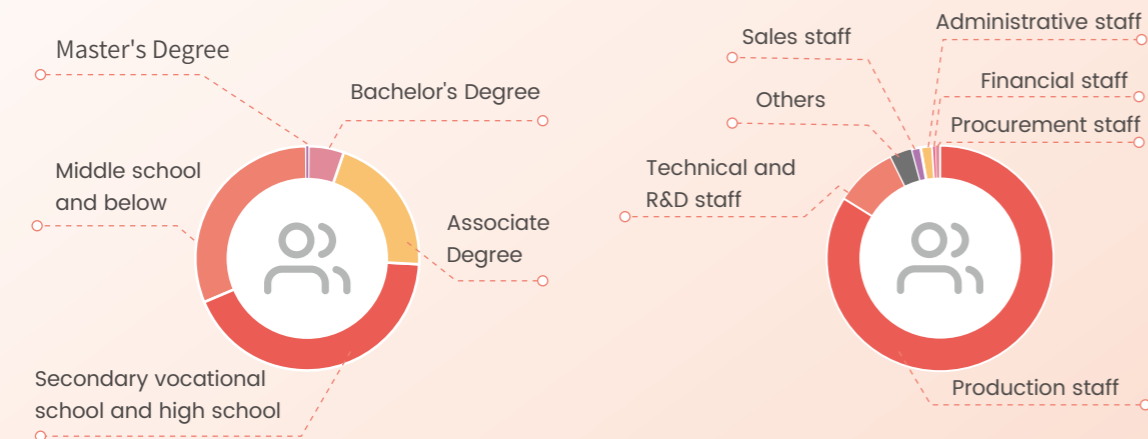


Xianhe Electrician Technician Training Program

Key Performance

In 2025

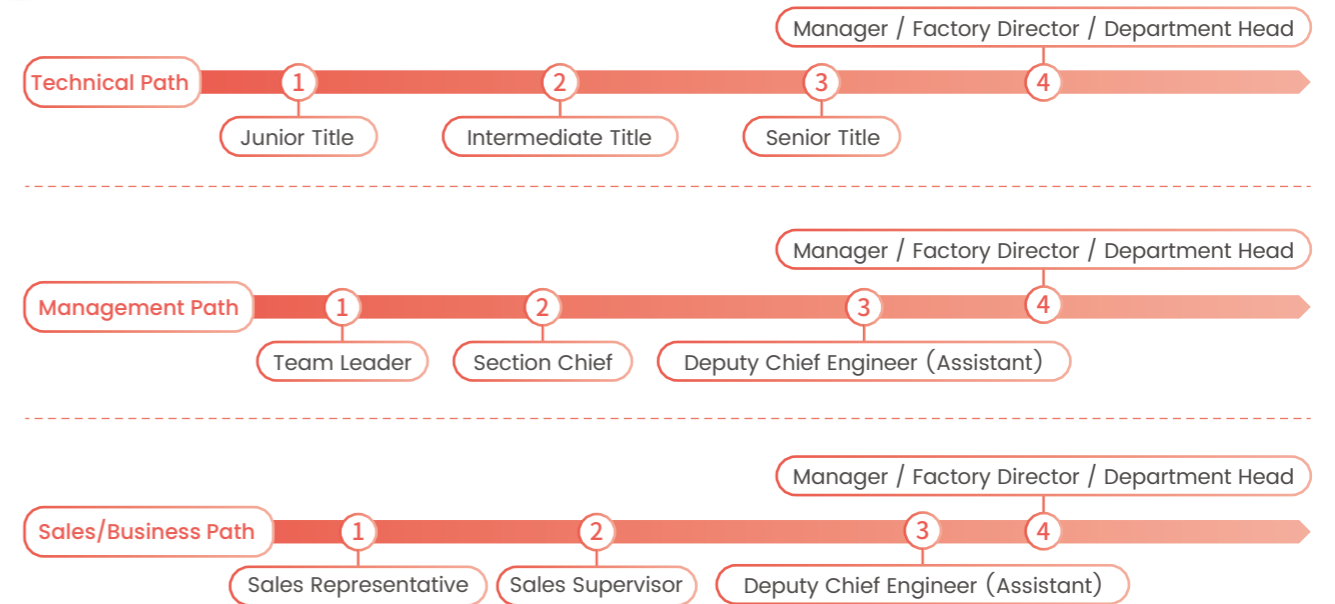
Total number employees **7,071** Persons



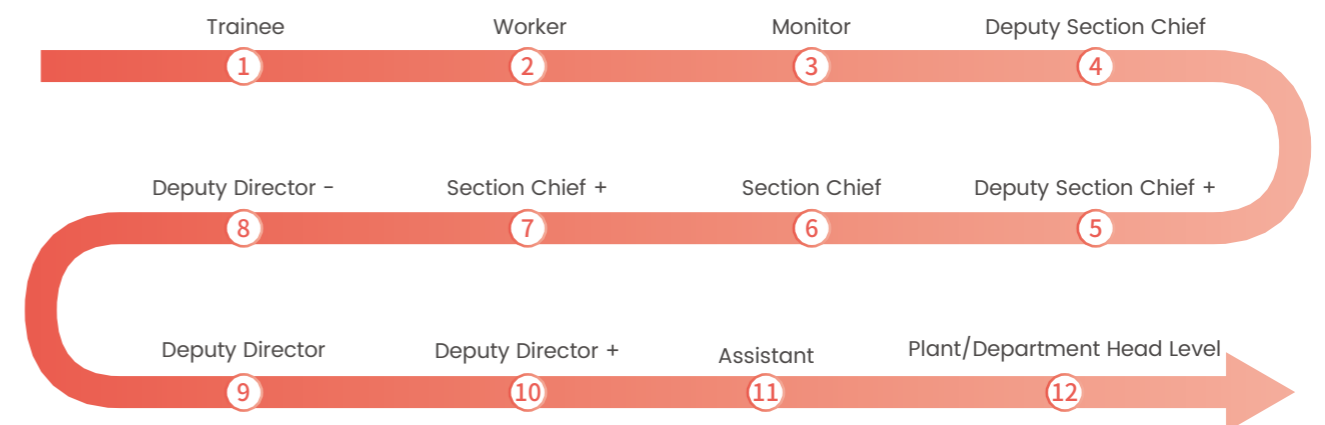
Career Development

A well-defined career development plan serves as the foundation for employees' sense of purpose and professional fulfillment. Xianhe has established the "Employee Promotion and Advancement Management Measures," providing clear career pathways for technical staff, administrative personnel, and business employees. The Company employs examinations as the sole evaluation method, conducting targeted assessments tailored to different job levels and positions. By encouraging continuous self-improvement through work experience and training programs, the Company fosters mutual growth between employees and the organization.

Promotion Path



Progression Path



Talent Development and Training

Xianhe adheres to the talent philosophy of "attracting capable individuals, enabling each person to realize their full potential, and ensuring every talent is put to optimal use." The Company provides training for current students during the targeted and order-based class phases, and employs a combination of internal and external training methods to deliver pre-job, on-the-job, and job-transfer training for both new hires and existing employees. Additionally, Xianhe places strong emphasis on leadership development, organizing site visits and study tours as well as performance excellence management training to further enhance the decision-making capabilities and team management proficiency of mid- and senior-level managers.

To ensure training effectiveness, the Company has established a training record system that documents each employee's participation and examination results. These records serve as a reference for future considerations regarding employee regularization, salary adjustments, and promotions, and are also linked to year-end bonuses, thereby motivating employees to actively engage in training initiatives.

Talent Development System

Attracting Capable Individuals

- The Company recruits outstanding talent through both internal and external hiring channels.
- The Company collaborates with universities to establish targeted classes or order-based classes, jointly cultivating new industry talent.
- Newly hired employees are required to participate in pre-job training and undergo assessment upon completion, with a bottom-rank elimination system in place.

Enabling Each Person to Realize Their Full Potential

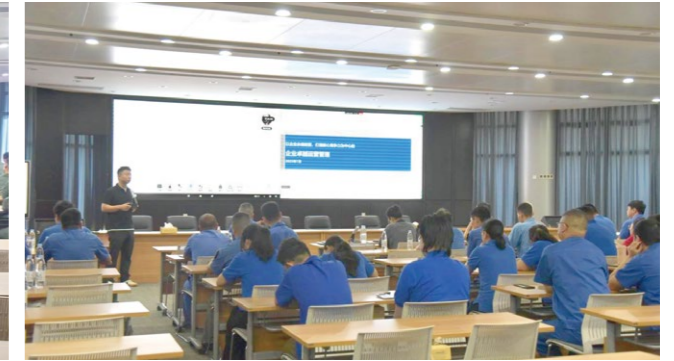
- Employee skills competitions are held to select technical experts and pacesetters, encouraging employees to continuously improve through healthy competition.
- Based on job requirements, the Company organizes professional skills and theoretical knowledge training to help employees enhance their vocational capabilities.
- A "One-on-One" mentorship model is adopted, utilizing guidance, instruction, and assistance to elevate skill levels and professional competency.
- The Company actively cultivates employees with professional technical capabilities and independent innovation capacity and recommends them for professional technical title accreditation.
- Mid- and senior-level managers are regularly scheduled for site visits and study tours in various regions to acquire advanced management philosophies and practical experience.
- Performance excellence management training is conducted for Company leadership to enhance team management capabilities.

Ensuring Every Talent Is Put to Optimal Use

- For university graduate development, a "rotation before placement" approach is used. Final positions and grades are assigned based on individual development preferences, job fit, and vacancy status to ensure optimal talent utilization.
- Independent evaluation is carried out in an orderly manner. Aligned with actual production needs, the Company independently assesses occupational types and grade ranges, focusing on evaluating professional ability, work performance, professional ethics, and craftsmanship spirit. This process helps identify employees' technical strengths and place the right people in the right positions.



OEX Training for Production Personnel



OEX Training for Management Personnel



Seminar with Intellectuals



Xianhe has keenly recognized the challenges posed by climate change and industrial transformation. The Company actively provides employee training programs to help staff adapt to emerging industry demands, transition to low-carbon production methods, and address the impact of external trends on job adaptability and employment stability. In 2025, we launched a training initiative titled "Automating and Intelligentizing Paper Manufacturing Processes," equipping employees with expertise in automated production systems, supporting energy conservation and emission reduction efforts, while enhancing their understanding of industry transformation trends and their strategic significance for future development.



Automation and Smart Manufacturing Training for Paper Enterprises

Case Study Continuous skills training to enhance employees' job competencies

Hubei Xianhe New Materials and Guangxi Xianhe New Materials have implemented multi-level skill training programs aligned with core business development needs and industry technological trends. The training focuses on key areas including special operation standards, equipment operation and maintenance, safety production management, and digital skill applications, while incorporating specialized skill enhancement programs tailored to departmental job requirements. For key positions such as low-voltage electrical work and fusion welding with hot cutting, the Company implements certified training and qualification reviews. A total of 48 new personnel obtained special operations certificates throughout the year, further strengthening the foundation of safety management.

In 2025, the Company conducted a total of 442 sessions of various skill training programs, with a cumulative attendance of over 8,300 participants. By combining internal and external training methods, the Company continuously enhances employees' professional skills and hands-on operational capabilities, thereby ensuring robust support for production operations.



Key Performance In 2025

Number of Employee Training Sessions **621**

Total employee training hours **1,269,480** hours

Employee training coverage rate **100%**

Total employee training expenditure amount **1,374,418.12**yuan

Employee Health and Safety

Xianhe Co., Ltd. has always prioritized the protection of employees' life safety and health as its paramount duty. Adhering to the principle of "Safety First, Prevention-Oriented, and Comprehensive Governance," the Company has established an occupational health and safety management system and has successfully obtained ISO 45001 Occupational Health and Safety Management System certification.

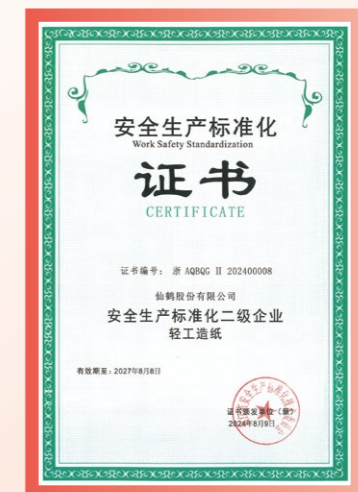
We have established a Safety Production Committee led by the General Manager, integrating safety management into every aspect of daily production and operations. The effective operation of the occupational health and safety management system requires the full participation of all employees. We cultivate safety awareness and behavioral habits through safety inspections, safety promotions, safety drills, and dedicated safety meetings, thereby fostering a corporate culture where "Everyone Prioritizes Safety."



Key Performance In 2025



The Company is certified to the Occupational Health and Safety Management System standard GB/T 45001-2020 / ISO 45001:2018.



The Company has obtained the Level 2 Enterprise Certification for Work Safety Standardization.

Safety System Development

The Company has established comprehensive management systems including the "Safety Production Target Management System", "Occupational Health and Safety Control Procedures", "Occupational Health and Safety Hazard Identification and Risk Assessment Procedures", "Labor Protection and Protective Equipment Control Procedures", and "Occupational Disease Prevention Responsibility System". These systems comprehensively cover all production processes and job positions, strengthening safety production constraints through multiple aspects such as hazard source control, operational protection measures, and emergency drills. This ensures standardized management practices with detailed implementation protocols in place.

Key Performance In 2025

2025 Safety Production Goals:

- Zero** serious personal injury accidents or above;
- Zero** fire and explosion accidents.

Safety Risk Management

The Company has established an occupational health and safety hazard identification and risk assessment system. This system covers the entire workflow of operational activities, including production processes, hazardous substances, equipment and facilities, laboratories, and offices. The MES quantitative method is employed to evaluate the risks associated with identified hazards, categorizing risks into five levels: Minor Risk, General Risk, Significant Risk, High Risk, and Extreme Risk.

For hazards classified as Extreme Risk, the Company implements corresponding measures including the formulation of management protocols, restriction engineering controls, training and education, on-site supervision, and the development of emergency response plans. These measures are designed to minimize both the frequency of incidents and the severity of potential harm.

Safety Inspection

Xianhe adheres to the fundamental principle that "Everyone is responsible for safety production." The Company cascades safety production indicators down to every team and individual employee, implementing a system of graded management, level-by-level accountability, and quantitative breakdown. By refining responsibilities and assessment requirements, the Company ensures that safety management standards are effectively implemented on the ground.

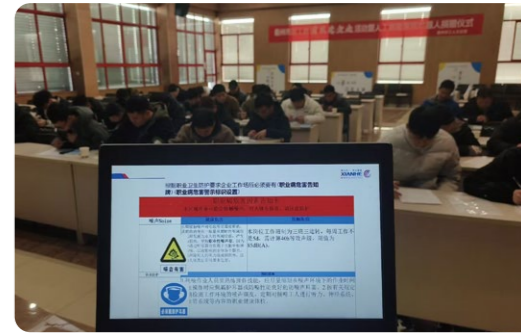
We have designated the 16th of each month as "Safety Inspection Day." On this day, management personnel conduct on-site inspections at the production front line, promptly summarizing and rectifying identified issues. Furthermore, the Company regularly holds safety production analysis meetings to review the status of safety management and the progress of hazard rectification, thereby promoting continuous improvement.



Work Safety Monthly Meeting

Occupational Disease Prevention and Control

Xianhe has formulated a comprehensive set of occupational disease prevention policies in accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. These policies include the Occupational Disease Hazard Prevention Responsibility System, Occupational Disease Hazard Monitoring, Detection, and Evaluation Management System, Occupational Disease Hazard Warning and Notification System, Emergency Response Plan for Occupational Disease Incidents, Occupational Disease Prevention Education and Training System, and Occupational Disease Protective Equipment Management System. This framework enables the Company to achieve end-to-end prevention and control of occupational diseases across management structure, hazard monitoring, risk notification, emergency response, training, health surveillance, and facility/equipment management.



Occupational Disease Prevention Publicity and Training

Furthermore, we have established the 2025 Annual Occupational Disease Prevention Work Plan and Implementation Program, setting "Zero new cases of occupational disease or suspected occupational disease" and "Compliance of dust and toxic substance concentrations with national standards" as the annual objectives for occupational disease prevention, ensuring the effective implementation of all control measures.

Occupational Disease Prevention and Control	Specific Details
Management Structure	The Company has established an Occupational Health Management Leading Group headed by the General Manager. Members include Deputy General Managers, heads of relevant functional departments, full-time/part-time occupational health management personnel, and trade union representatives.
Hazard Monitor	The Company engages third-party professional occupational health technical service agencies to conduct occupational hazard detection, evaluation, and management. Should any occupational hazard factors exceed national standards, the Company will investigate the cause, implement rectification within a specified timeframe, and arrange for the technical service agency to conduct a re-assessment.
Risk Notification	When signing employment contracts, the Company fully informs employees of potential occupational disease hazards, their consequences, and the corresponding protective measures and benefits. These details are explicitly stated in the labor contract. Bulletin boards are installed within the facility to publicize Company policies on occupational disease prevention and to display workplace hazard factors. Warning signs, mandatory instruction signs, warning lines, notification cards, and Chinese-language warning descriptions are placed in prominent locations. All occupational health signage is inspected at least once every six months. Any sign found to be damaged, deformed, discolored, peeling, or faded is promptly repaired or replaced.
Emergency Response	The Company established an occupational disease hazard accident emergency response team, with the general manager serving as the team leader and the deputy general manager as the deputy leader. The team members include the office director and heads of various workshops. Regular emergency drills are organized, and emergency response supplies are provided.
Training and Awareness	The Company provides regular occupational health training for employees prior to commencing work and during their employment. This training ensures employees are aware of workplace hazards and master relevant policies, operating procedures, emergency measures, correct usage of protective facilities and personal protective equipment (PPE), and the meaning of warning signs. Employees are only permitted to work after passing the relevant assessments.
Occupational Health Surveillance	The Company regularly organizes pre-placement, periodic, and exit occupational health examinations for employees engaged in operations involving occupational disease hazards. The results of these examinations are communicated in writing to the employees themselves.
Facility and Equipment Management	The Company implements a system of routine inspections and periodic checks. During patrols, special attention is paid to verifying the integrity and effectiveness of protective facilities; any abnormalities are immediately reported for mechanical/electrical repair. The Company conducts specialized inspections of protective facilities at least once per month to verify their operational status and protective efficacy.

Work-related Injury Management

The Company has formulated the "Work-related Injury Management Policy," which provides detailed provisions on the emergency treatment process, medical expense reimbursement, work injury benefits, and care/escort expenses. This ensures that employees receive timely treatment and proper arrangements in the event of a work-related injury.

Work-Related Injury Treatment	The branch factory or Company's designated driver shall immediately drive the injured employee to the hospital for treatment. For more serious work injuries, emergency services (120) shall be contacted directly, and the Company shall assist with hospitalization or transfer procedures.
Medical Expense Reimbursement	Medical expenses incurred by the injured employee during the treatment period can be submitted to the Company for reimbursement with relevant receipts. The Company will file the claim with the insurance provider on the employee's behalf.
Work Injury Benefits	The Company provides work-related injury benefits during the treatment period for injured employees, including work injury wages, reimbursement of medical expenses during the treatment period, and disability compensation.
Care/Escort Expenses	During the period when an injured employee's family member provides care, the Company shall pay care/escort expenses in accordance with the relevant provisions of the "Regulations on Work-Related Injury Insurance." If the Company designates an employee to provide care, their original wage standard shall apply.

Safety Education

Employee safety awareness serves as the fundamental safeguard for workplace safety. Guided by this principle, Xianhe has established a tiered and categorized safety education system. New hires are required to complete three mandatory phases: onboarding safety training, general safety education, and on-site job-specific training. Monthly safety meetings are conducted, with each subsidiary factory conducting employee safety briefings. Production teams utilize weekly team meetings for safety education to reinforce workplace vigilance. Additionally, the Company organizes annual initiatives including fire drills, confined space operation simulations, and safety knowledge competitions to deeply embed safety awareness into employee consciousness.

Key Performance	In 2025
Number of new occupational disease cases	0 Persons
Number of work-related injury incidents	0 Incidents
Number of safety accidents	0 Incidents
Number of Non-Fatal Work-Related Injuries	0 Persons
Lost Workdays Due to Work Injury	0 Days
Lost Time Injury Frequency Rate (LTIFR)	0 Per Million Hours Worked
Total Recordable Injury Rate (TRIR)	0 Per Million Hours Worked
Number of Work-Related Fatalities	0 Persons
Number of Safety Emergency Drills Conducted	2 Times
Number of OHS Training Sessions Conducted	12 Times
OHS Training Coverage Rate	99%
Average OHS Training Hours per Employee	1.5 Hours/Person
Employee Physical Examination Coverage Rate	100%
Work-Related Injury Insurance Expenditure	2,201.2 thousand RMB



Production Safety Training



Safety Production Promotion Banner



Fire Drill



Philanthropy and Social Contribution

Xianhe upholds the core value of "Creating Wealth, Serving Society" and is actively engaged in rural revitalization. While establishing production bases across various regions, the Company creates employment opportunities for local residents and leverages its business expansion to foster industrial cluster development, thereby driving the coordinated progress of upstream and downstream industries. Furthermore, Xianhe actively participates in charitable and philanthropic activities, provides support to disadvantaged groups, and contributes to the construction of a harmonious society.

Rural Revitalization

Driving Regional Development

Xianhe has established two major production bases in Laibin, Guangxi and Shishou, Hubei, fully leveraging the economic value of local forestry resources. These initiatives have filled the gap in the specialty paper industry within the region, providing income opportunities and employment for local residents while boosting the development of related supporting industries. Moving forward, the Company will continue advancing the construction of its production base in Hejiang, Sichuan, driving rural revitalization through industrial localization and injecting new vitality into regional economies.

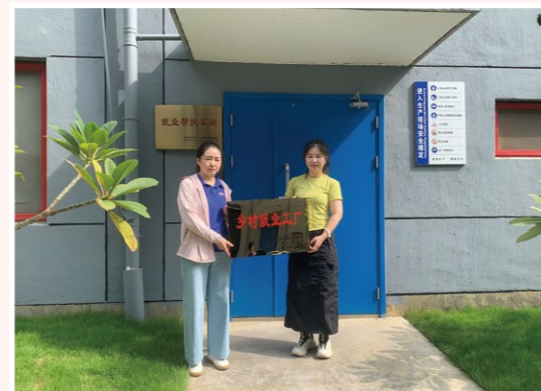
Case Study Hubei Xianhe New Materials Received "Jingzhou May 1st Labor Award"

In April 2025, Hubei Xianhe New Materials was awarded the "Jingzhou May Day Labor Award" by the Jingzhou Federation of Labor Unions for its outstanding contributions in fulfilling corporate social responsibility, promoting local economic development, and maintaining harmonious labor relations.



Guangxi Xianhe Base Supports Employment for Poverty-Relief Households

In 2025, Guangxi Xianhe New Materials upgraded its Employment Assistance Workshop to a Rural Employment Factory, while Guangxi Xianhe Energy established an additional Employment Assistance Workshop. To date, the Company has provided job opportunities for 146 employees from poverty-alleviated households through its assistance program, helping them further stabilize their livelihoods and income sources.



Boosting Local Employment

Henan Xianhe has strategically located production lines that are labor-intensive and require relatively low technical skills in rural areas, establishing village-level workshops to promote local employment. The Company provides residents with production skills training and offers flexible working arrangements that accommodate individual living situations, thereby effectively meeting the local demand for jobs.

Increasing Income for Fruit Farmers

Guangxi and Sichuan are rich in fruit resources. Leveraging the opportunity of its investment and factory construction in these regions, Xianhe purchases local fruits in large quantities, helping farmers convert their year-long labor into tangible economic returns. In 2025, Xianhe procured a total of approximately RMB 1.5 million worth of fruit from local farmers.



Key Performance In 2025

Total investment in rural revitalization RMB **12.8246** million

Number of beneficiaries in rural revitalization **439** Persons

Philanthropy and Charity

Xianhe Co., Ltd. consistently upholds a strong sense of social responsibility. The Company actively supports public welfare initiatives, including student assistance programs, elderly care services, teacher appreciation events, and the sponsorship of community activities, sharing the fruits of its development with society at large. Furthermore, Xianhe organizes blood donation drives for its employees, contributing to the construction of a harmonious society and demonstrating the warmth of Xianhe's corporate spirit.



Employee Blood Donation Activity

Key Performance In 2025

Total **1,485,000** Yuan

Xianhe Co., Ltd.

Donation to Elderly Care Charity **60,000.00** Yuan

Wang Bendao Scholarship **80,000.00** Yuan

One-day Charity Donation (Qujiang District Charity Federation) **150,000.00** Yuan

Charity Assistance Program (Quzhou Charity Federation) **1,000,000.00** Yuan

99 Giving Day (The Amity Foundation) **80,000.00** Yuan

Henan Xianhe

College Student Scholarship / Bursary **72,000.00** Yuan

2025 Teachers' Day Appreciation Fund **18,000.00** Yuan

Condolence Payment **25,000** Yuan

Governance Chapter

Pragmatic Implementation and Solid Foundation Building

Xianhe Co., Ltd. is committed to establishing a standardized and robust corporate governance system. The Company clearly defines the powers and responsibilities across all organizational levels to ensure scientific decision-making and effective oversight. Adhering to lawful and compliant operations, the Company strengthens the development of business ethics and intensifies risk identification and control across all operational stages, thereby solidifying the foundation for long-term sustainable development.

93 Corporate Governance

96 Compliance Management

103 Business Ethics

106 Risk Management



Corporate Governance

Corporate governance serves as the foundation for stable business operations and sustainable development of enterprises. Xianhe Group continuously improves its governance mechanisms, strictly fulfills information disclosure obligations, and enhances investor communication to promote the effectiveness and transparency of governance, thereby strengthening market trust.

Governance Structure

The Company strictly complies with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, and other applicable laws, regulations, and regulatory requirements. It has established and continuously optimizes its governance structure. During the reporting period, based on practical operational and management needs, the Company dissolved the Board of Supervisors and transferred its duties and authority to the Audit Committee of the Board of Directors. Corresponding revisions were made to the Articles of Association and other key management policies to enhance overall governance efficiency.

Shareholders' Meeting

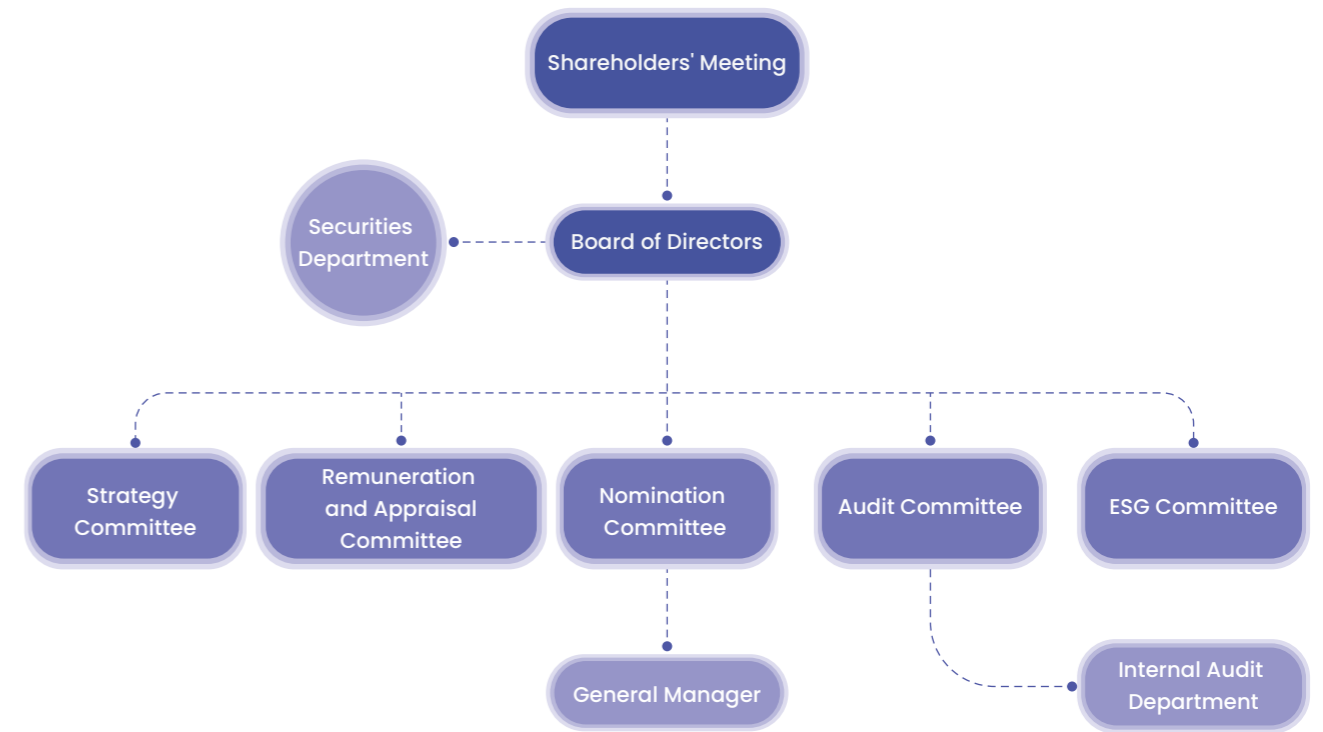
The Shareholders' Meeting is the supreme authority of the Company. The Company convenes shareholders' meetings in accordance with the Rules of Procedure for Shareholders' Meetings and other relevant provisions. The Shareholders' Meeting exercises its statutory powers, deliberating and passing resolutions on major matters including the appointment and removal of directors, amendments to the Articles of Association, profit distribution, capital changes, mergers and divisions, and equity incentive plans.

Board of Directors

- The Board of Directors is the operational decision-making body of the Company. The Company convenes board meetings in accordance with the Rules of Procedure for the Board of Directors and other provisions. Directors diligently fulfill their duties as entrusted by the Shareholders' Meeting, playing a guiding and supervisory role in major decision-making and operational management while safeguarding the legitimate rights and interests of the Company, shareholders, and other stakeholders.
- The Board of Directors has established five special committees: the Strategy Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Sustainable Development (ESG) Committee. Each committee performs its duties in accordance with its respective working rules.

Senior Management

Senior Management is the executive body of the Company, appointed by the Board of Directors and accountable to the Board. In accordance with the corporate governance policies and the authority delegated by the Board, Senior Management is responsible for executing resolutions and organizing the implementation of the Company's daily production, operations, and business activities.

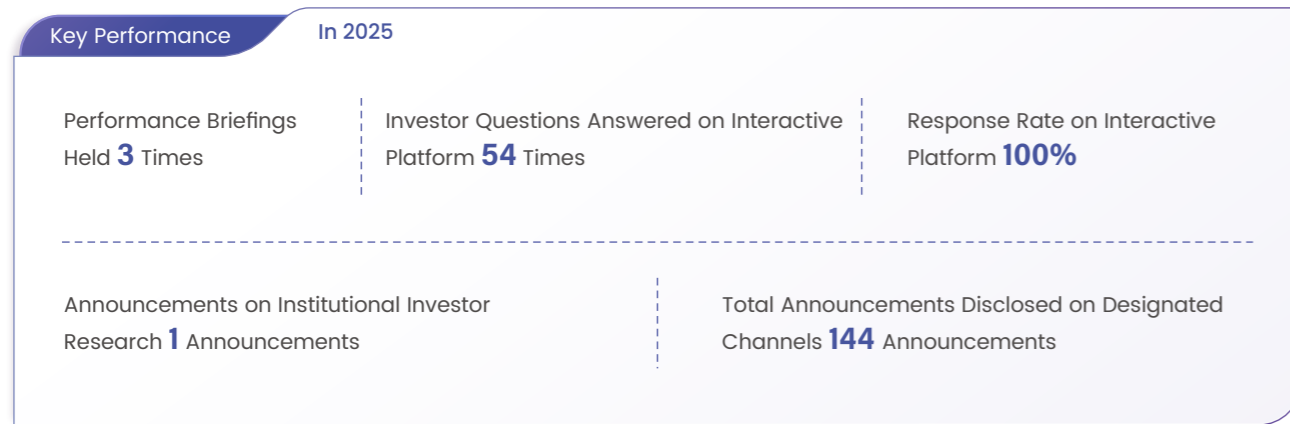


Key Performance		In 2025
Total Number of Directors	9 Persons	Including: Independent Directors 3 Persons
		Including: Female Directors 1 Person
Including: Employee Representative Director	1 Person	Number of Shareholders' Meetings 5 Times
		Number of Board Meetings 9 Times
Meetings of Board Audit Committee	4 Times	Meetings of Board Strategy Committee 3 Times
		Meetings of Board Nomination Committee 4 Times
Meetings of Board Remuneration and Appraisal Committee	1 Times	Meetings of Board Sustainability (ESG) Committee 1 Times



Investor Communication

In compliance with applicable laws, regulations, normative documents, and the Company's Articles of Association, we have established and implemented the Investor Relations Management Measures. Guided by the principles of transparency, fairness, and impartiality, we have built a stable and trustworthy communication framework. Through performance briefings, timely financial disclosures, and investor research engagements, we actively maintain constructive engagement with the market. Additionally, leveraging platforms such as the Shanghai Stock Exchange e-Interaction platform, dedicated hotlines, and email channels, we enhance communication with existing and potential investors, effectively deepening their understanding and recognition of our Company.



Information Disclosure

The Company has established the "Information Disclosure Management Measures" to create standardized disclosure procedures, adhering to the fundamental principles of "timeliness, fairness, truthfulness, accuracy, and completeness" while strictly fulfilling its disclosure obligations. Directors and senior executives assume responsibility for the accuracy of disclosed information, ensuring clear and objective statements free from false records, misleading statements, or material omissions, thereby guaranteeing all investors' access to comprehensive and timely information.

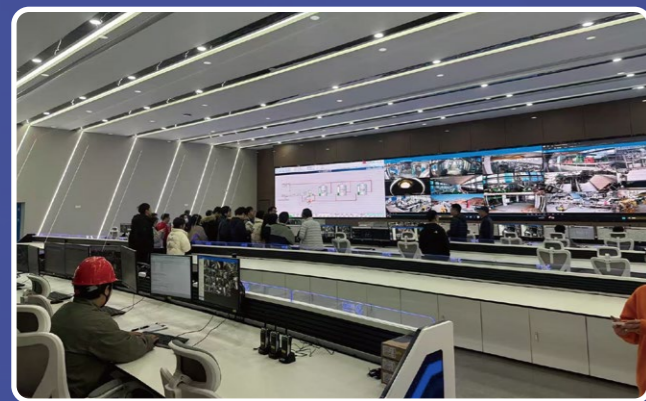
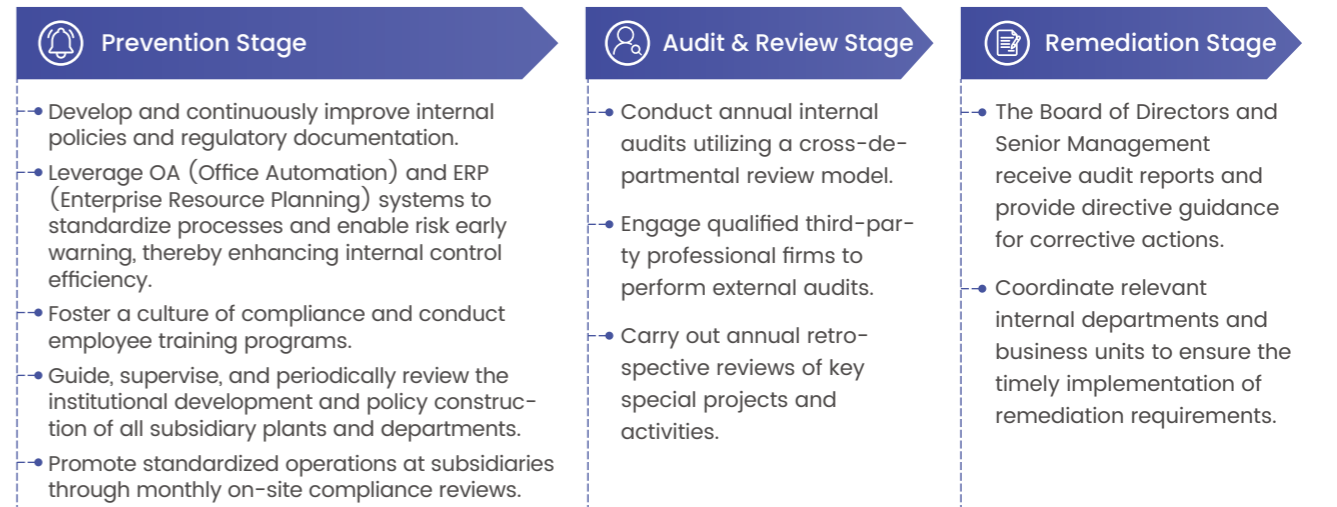
Compliance Management

Xianhe Co., Ltd. consistently adheres to the principles of integrity and law-abiding operation. By strengthening institutional frameworks, standardizing procedures, and enhancing oversight, the Company continuously improves its compliance and internal control systems, intellectual property protection, and information security management. These efforts solidify the foundation for compliant operations and provide a robust safeguard for the Company's high-quality development.

Compliance Management System

In accordance with the requirements of policies such as the Internal Audit Management Policy and the Internal Accounting Control Regulations, the Company has established a management process encompassing prevention, review, and remediation. The Company strengthens the execution of internal controls to comprehensively enhance its compliance management standards.

Internal Control Management Process



Investor Site Visits and Research Activities



Investor Site Visits and Research Activities

Key Performance In 2025

Number of Compliance-oriented Training Sessions 380 Times	Total Participants in Compliance Training 4,224 Person-times	Compliance Training Coverage Rate 98.99%
Total Hours of Compliance Training 8,760 Hours		Number of Internal Audits Conducted 12 Times



Compliance Training



Sales and Procurement OEX Training

Intellectual Property Management

The Company adheres to the core principle of "Innovative Development, IP Protection, and Competitiveness Enhancement." While comprehensively safeguarding its own proprietary innovations, the Company fully respects the intellectual property rights of others and is committed to maintaining a sound and orderly industry environment. We strictly comply with the Intellectual Property Protection Law of the People's Republic of China and other relevant laws and regulations. The Company has established a robust framework of internal policies, including the General IP Management Guidelines, Patent Management Policy, Trademark Management Policy, Software Copyright Management Policy, and IP Reward and Disciplinary Policy. These policies clearly define management responsibilities at all levels and standardize the procedures for the application, maintenance, and utilization of various types of intellectual property, thereby ensuring the effective management of innovative achievements. Furthermore, the Company regularly conducts specialized IP training programs to help employees understand relevant knowledge and management requirements, thereby strengthening awareness of IP protection and enhancing practical capabilities.

Management Architecture



Key Performance In 2025

Participants in IP Protection Training 2,261 Person-times	Average IP Training Hours per Person 1.77 Hours
--	--

- Completed the filing and update of **7** patent-intensive products
- Awarded the titles of "National Intellectual Property Advantage Enterprise", "Third Prize of Zhejiang Provincial Intellectual Property Patent Award", and "Second Batch of Zhejiang Provincial Intellectual Property Demonstration Enterprise"



Intellectual Property Training

Information Security Management

The Company strictly complies with the requirements of laws and regulations including the Cybersecurity Law of the People's Republic of China and the Data Security Law of the People's Republic of China, and has formulated the Information Management Policy. By enhancing the management structure, strengthening technical safeguards, and implementing emergency management measures, the Company ensures that information security requirements are integrated into business operations, data management, and daily office activities, thereby safeguarding the stable operation of information systems and the security of data assets. During the reporting period, the Company experienced no data security incidents.

Key Performance In 2025

The Company has obtained multiple authoritative system certifications:

- ISO/IEC 27001 Information Security Management System Certification
- ISO/IEC 20000-1 Information Technology Service Management System Certification
- Data Management Capability Maturity (Party A) Level 2 Certification

Information Security Management Architecture



Information Security Technology Safeguards

Data Security

- Data Encryption:** Sensitive data is stored using hybrid encryption algorithms. A centralized key management platform has been established to strictly control the full lifecycle of keys, including generation, storage, distribution, renewal, and destruction.
- Transmission Encryption:** Content transmitted over networks is encrypted using SSL/TLS protocols to ensure the confidentiality and integrity of data in transit.

Access Control

- Identity Authentication:** A multi-factor authentication (MFA) platform has been deployed, supporting passwords, dynamic verification codes, and biometric identification. Critical systems utilize "Password + Hardware Token" two-factor authentication.
- Authorization Management:** An information security accountability system is implemented, applying the Role-Based Access Control (RBAC) model. Permissions are precisely allocated based on job responsibilities, and user operational behavior is logged in detail and monitored in real-time.
- Network Isolation:** A strict internal/external network segregation strategy is enforced. The internal network accesses the external network via NAT (Network Address Translation), while external access to internal resources requires passage through specific authorized gateways.

Business Continuity

- Multiple Backups:** Primary systems operate on a dual-replica mechanism with off-site offline backups, enhancing system stability and data reliability.
- Load Balancing:** Real-time dynamic load balancing mechanisms prevent single-point server overload and ensure sustained, stable system operation.
- Data Recovery:** Daily independent off-site backups are performed, with hourly backups for certain critical databases. A rapid restoration mechanism is established to mitigate the impact of emergencies on business operations.

Operation Monitoring

- Comprehensive Monitoring:** Security probes are deployed at network perimeters, server clusters, and key business nodes to establish a full-coverage security monitoring system. All business systems retain searchable operation and access logs, which can be used for cross-verification, incident reconstruction, and root cause analysis in the event of anomalies.
- Intelligent Early Warning:** Big data and AI technologies are leveraged to analyze monitoring data in real-time, swiftly identifying security threats such as data breaches, malicious attacks, and abnormal traffic. Early warning notifications are sent to the Security Operations Team for immediate response.

Security Detection

- Active Scanning:** Perimeter firewall appliances possess vulnerability analysis and scanning capabilities to identify potential security risks and configuration weaknesses, providing a basis for continuous improvement.
- Anomaly Reporting:** A dedicated process for reporting software and hardware anomalies has been established within the OA system. Employees can report incidents, vulnerabilities, or suspicious activities, which are then routed to the IT departments of respective sites for handling.
- Compliance Checks:** The Company cooperates with government agencies in conducting monthly cybersecurity inspections, undergoes security reviews and technical assessments, and implements rectification measures based on inspection findings.

Information Security Emergency Response Mechanism

To effectively address sudden information security incidents and enhance emergency response capabilities, the Company has established the "Data Center Information System Emergency Response Plan". The plan defines the organizational structure and responsibilities of the emergency leadership team, while standardizing response procedures and recovery measures for various event types including natural disasters, equipment failures, and cyberattacks. These measures ensure the secure and stable operation of critical systems, minimizing the negative impact on business continuity and information assets caused by unexpected incidents.

Attack and Defense Drill

The Company actively participates in cybersecurity attack and defense drills organized by government cybersecurity authorities. These exercises are designed to test the effectiveness of the existing protection infrastructure. Based on the feedback reports generated from these drills, the Company systematically investigates potential risks and vulnerabilities, continuously optimizes its information security systems, and enhances its proactive defense capabilities to ensure the long-term security and stable operation of its information systems.

Key Performance

In 2025

Information Security Training Coverage Rate **100%**

Total Hours of Information Security Training **59.5** hours



Business Ethics

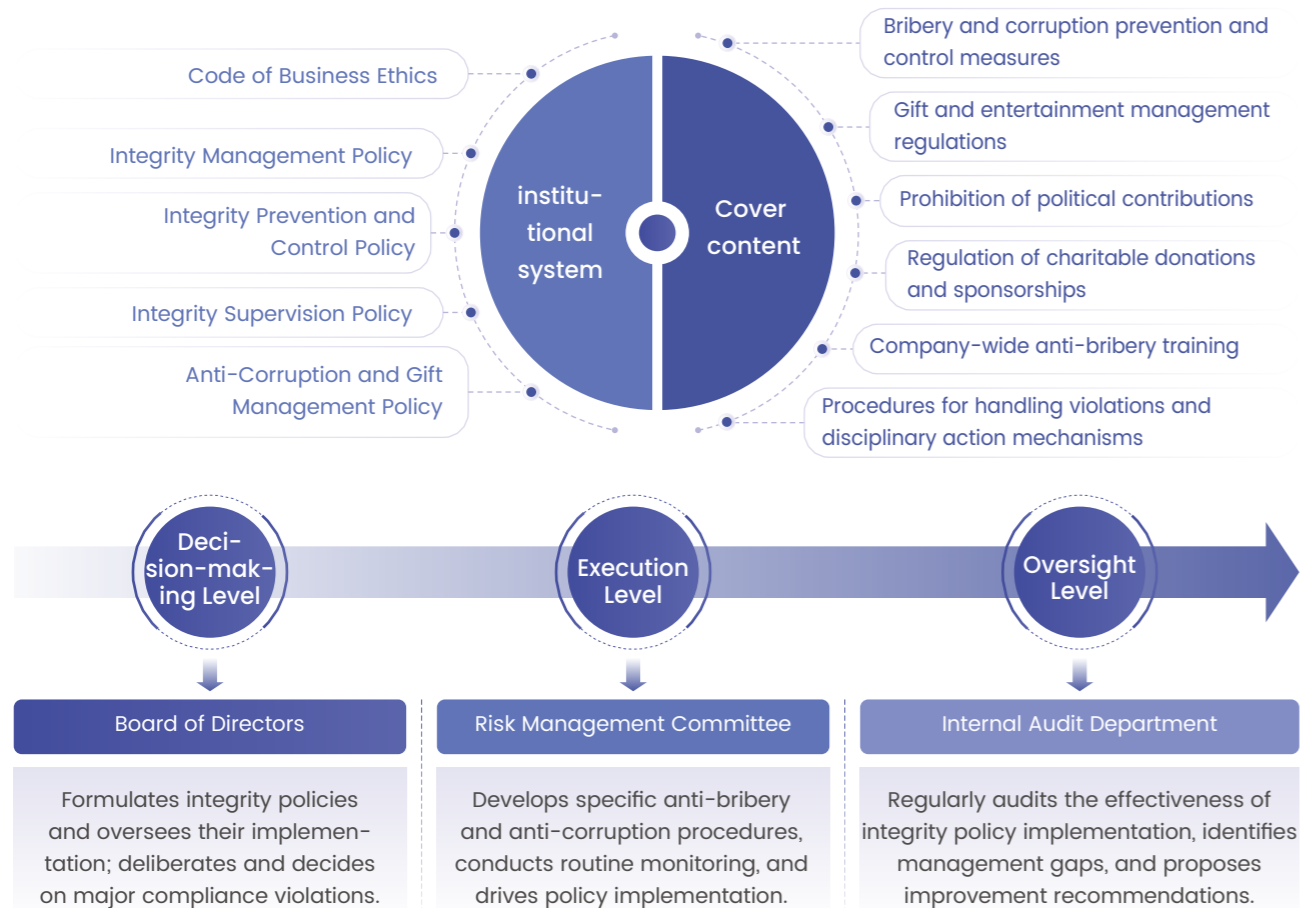
The Company upholds the core principle of "Building an Incorruptible Xianhe with the Highest Professional Integrity." We resolutely resist corruption, bribery, unfair competition, and other conduct that violates business ethics. Through institutional development, tiered risk control, and cultural advocacy, we integrate integrity requirements into every aspect of our operations and decision-making processes. To safeguard the rights and interests of employees and external stakeholders, the Company has established a whistleblowing mechanism and maintains open supervisory channels, thereby promoting a fair and transparent business environment.

Key Performance

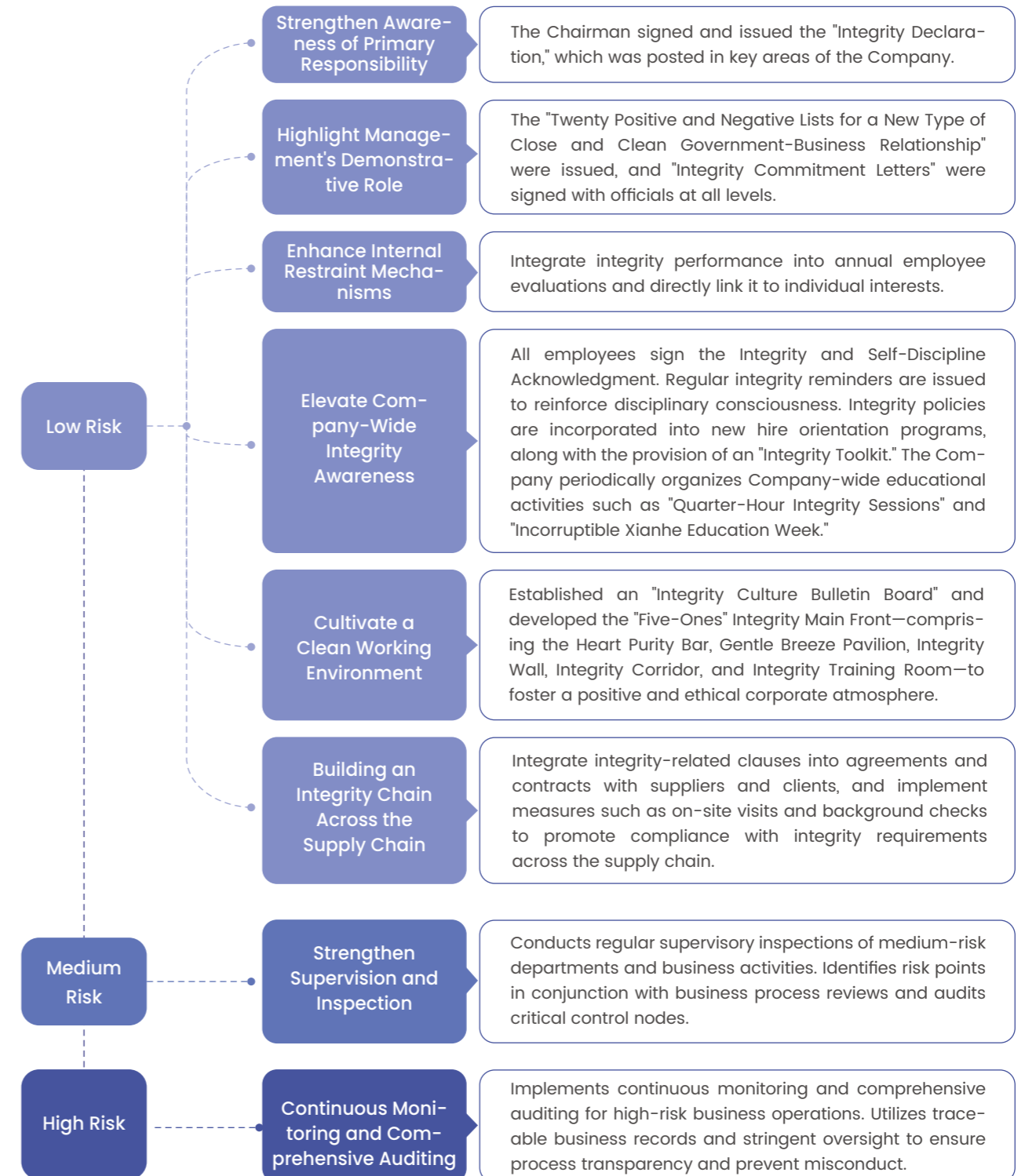
During the reporting period, the Company recorded **zero incidents** of commercial bribery, embezzlement, unfair competition, conflicts of interest, money laundering, or insider trading. The Company was not subject to any related litigation or significant administrative penalties.

Anti-Commercial Bribery and Anti-Corruption

The Company places the utmost importance on anti-commercial bribery and anti-corruption efforts. To this end, we have established a comprehensive policy framework and management structure, clearly defined responsible departments and oversight mechanisms, and ensured the effective implementation of all management measures.



The Company conducts regular identification and assessment of business ethics risks across all departments and business units, applying tiered management measures accordingly. Furthermore, the Company has established a routine anti-corruption self-inspection mechanism, conducting periodic internal audits and cross-departmental reviews of key operational areas such as procurement, sales, and finance. Any issues identified are subject to immediate rectification, thereby reinforcing the defense against integrity risks.





Integrity Corridor

Furthermore, the Company regularly conducts specialized anti-commercial bribery and anti-corruption training for all employees and personnel in key positions. This training covers policy interpretation, typical case warnings, and compliance operation guidelines. Combined with integrity culture promotional activities, these efforts continuously strengthen the awareness of clean practice among all employees and reinforce the ideological defense against corruption and misconduct.

Anti-Unfair Competition

We strengthen internal controls based on institutional norms, supplemented by process audits and compliance training, to effectively prevent unfair competition practices. The Company conducts regular compliance inspections across all business lines to promptly identify potential risks and implement corresponding rectification measures. In conjunction with anti-commercial bribery training arrangements, the Company promotes awareness of anti-unfair competition requirements to ensure that every employee is familiar with and complies with relevant regulations.

Reporting and Whistleblower Protection

The Company adheres to a zero-tolerance principle regarding violations of business ethics and implements a mechanism whereby all reports are investigated, and all substantiated violations are sanctioned. The Company provides employees with a reporting system accessible via the OA platform and encourages upstream and downstream business partners to report potential misconduct, thereby collectively safeguarding a fair and just business environment. During investigations, the Company strictly maintains the confidentiality of the whistleblower's identity and the details of the reported incident. Whistleblowers may also choose to submit reports anonymously.

For violations substantiated through investigation, the Company will pursue accountability in accordance with the law and impose disciplinary measures - including termination of employment - based on the severity of the misconduct.

To protect the rights and interests of whistleblowers, the Company strictly prohibits any form of retaliation in accordance with the Code of Business Ethics. Violators will be held accountable, along with their supervising managers. In cases where there is a genuine and severe threat to a whistleblower's rights and interests, the matter will be referred to judicial authorities for legal action. Additionally, the Company requires all employees to sign an acknowledgment and commitment letter to ensure they fully understand the reporting mechanism and the non-retaliation policy, thereby further facilitating open reporting channels.

Key Performance	In 2025
Employee Integrity Agreement Signing Rate	100%
Supplier Integrity Agreement/Clause Coverage Rate	100%
Customer Integrity Agreement/Clause Coverage Rate	100%
Total Anti-corruption Training Sessions	50 times
Employee Coverage Rate for Anti-bribery Training	84.26%
Management Coverage Rate for Anti-bribery Training	100%
Board Coverage Rate for Anti-bribery Training	100%

Risk Management

Xianhe fully recognizes that risk management is not only a critical safeguard for enterprises to address external challenges, but also a key support for seizing development opportunities and achieving strategic objectives. By integrating our own circumstances, we continuously monitor internal and external risk factors, promptly identify potential risks, and implement effective countermeasures to enhance organizational resilience and sustainable development capabilities.

Risk Management System

The Company has established a risk management framework consisting of "Board of Directors-Risk Management Committee-Audit Department," adopting a combination of integrated planning and hierarchical control. The Board of Directors is responsible for strategic oversight and decision-making, the Risk Management Committee coordinates risk assessment and response, while the Audit Department drives the implementation and optimization of measures to enhance overall risk management effectiveness.

The Company has established and implemented the "Risk and Opportunity Response Control Procedures," which outlines detailed management processes for risk identification, assessment, response, and monitoring, while providing clear implementation standards for risk avoidance, mitigation, transfer, and acceptance. Moving forward, building on its existing risk management framework covering operational, compliance, financial, and legal aspects, the Company will further integrate ESG factors into its risk management system. This approach ensures stable operations while fully leveraging development opportunities.

Risk Identification and Response

Financial Risk

The Company has established the "Financial Risk Control Management System," which is regularly evaluated by a dedicated risk management department based on principles such as comprehensiveness, materiality, checks and balances, adaptability, and cost-effectiveness. Additionally, the department has implemented a financial risk management early warning system to ensure the stability of the Company's financial operations through timely risk prevention and mitigation.

Legal Risk

The Company's full-time legal staff are responsible for managing legal risks by conducting compliance audits, issuing risk assessment reports, and providing professional references for decision-making to mitigate legal risks. They regularly organize training sessions on contract law and risk control for sales personnel to enhance legal risk awareness across relevant departments.

ESG-Relevant Risk

The Company established a dedicated Sustainability (ESG) Committee to systematically identify, assess, and manage ESG-related risks, ensuring the effective implementation of sustainable development strategies. Leveraging a comprehensive ESG governance framework, the Company formulated clear management policies, optimized workflows, strengthened accountability, and continuously enhanced ESG management capabilities through internal audits.

The Company regularly conducts ESG training programs to enhance sustainability awareness among employees and management, fostering a deep integration of corporate culture with ESG principles.

The Company actively maintains communication with stakeholders, incorporates best industry practices, and continuously optimizes its governance model to drive long-term growth through responsible operations.

Key Performance Table

Environmental Performance

Indicator	Unit	2025
Water Resource Utilization		
Total Water Withdrawal	t	49,237,258.65
Comprehensive Water Consumption per Unit Product	m ³ / t of paper	20.22
Comprehensive Water Consumption per Unit Revenue	t/RMB 10,000	39.89
Total Volume of Water Recycling and Reuse	t	1,613,012,593.37
Water Recycling and Reuse Rate	%	98.28
Energy Utilization		
Natural Gas Consumption	m ³	38,536,569.34
Coal Consumption	t	639,243.78
Steam Consumption	t	7,955,279.22
Purchased Electricity	kWh	987,627,989.85
Electricity Self-sufficiency Rate	%	49.50
Renewable Energy Consumption	kWh	75,513,975.40
Proportion of Renewable Energy Use	%	3.59
Total Direct Energy Consumption	tce	499,002.06
Total Indirect Energy Consumption	tce	371,337.85
Clean Energy Consumption	tce	21,370.46
Comprehensive Energy Consumption	tce	870,339.91
Comprehensive Energy Consumption Intensity per Unit of Product	tce / t of paper	0.36
Comprehensive Energy Consumption Intensity per Unit of Revenue	tce / RMB 10,000	0.71
Waste Disposal		
Hazardous Waste	t	71.73
General Waste	t	340,963.54

Note 1: The data on general and hazardous waste covers all companies included in the list of enterprises required by law to disclose environmental information, including Xianhe Co., Ltd., Hegang Environmental Protection, Zhefeng New Energy, Zhefeng Energy, Zhefeng Environmental Protection, Henan Xianhe, Hubei Xianhe New Materials, and Hubei Xianhe Energy.

Note 2: In the calculation of greenhouse gas emissions, emission factors for natural gas, coal, and steam are sourced from the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions for Pulp and Paper Enterprises (Trial). The emission factor for electricity is based on the 2023 Announcement on CO₂ Emission Factors for Electricity by the Ministry of Ecology and Environment and the National Bureau of Statistics (Announcement No. 47 of 2025).

Indicator	Unit	2025
Climate Change Response		
Scope 1 GHG Emissions	tCO ₂ e	1,695,184.46
Scope 1 GHG Emissions Intensity	tCO ₂ e/t of paper	0.70
Scope 2 GHG Emissions	tCO ₂ e	820,117.03
Scope 2 GHG Emissions Intensity	tCO ₂ e/t of paper	0.34
Total Scope 1 and 2 GHG Emissions	tCO ₂ e	2,515,301.49
Environmental Compliance Management		
Waste Water, Waste Gas and Solid Waste Emission Compliance Rate	%	100
Environmental Pollution Incidents	cases	0
Environmental Penalties (Events and Amounts) due to Exceeding Standards or Illegal Discharge	CNY	0
Number of Emergency Drills for Environmental Incidents	times	2
Coverage Rate of Personnel in Environmental Emergency Drills	%	90
Number of Environmental Protection and Compliance Training Sessions	times	12
Coverage Rate of Environmental Protection and Compliance Training	%	100
Total Duration of Environmental Protection and Compliance Training	hours	4,616

Social Performance

Indicator	Unit	2025
Employee Composition		
Total Number of Employees	persons	7,071
Including: Ethnic Minority Employees	persons	1,205
Percentage of Local Employees	%	approx. 70
By Gender		
Male Employees	persons	5,530
Female Employees	persons	1,541
By Age Group		
Under 25 years old	persons	1,069

➤ Social Performance

Indicator	Unit	2025
25 to 55 years old	persons	5,726
Over 55 years of age	persons	276
By Education Level		
Master's Degree	persons	4
Bachelor's Degree	persons	417
Associate Degree	persons	1,568
Secondary vocational school and high school	persons	3,048
Middle School and Below	persons	2,034
By Function		
Production Staff	persons	5,926
Sales Staff	persons	102
Technical Staff	persons	635
Financial Staff	persons	28
Administrative Staff	persons	111
Procurement Staff	persons	53
Others	persons	216
Employee Training and Development		
Number of Training Sessions	times	621
Employee Training Coverage Rate	%	100
Total Training Hours	hours	1,269,480
Total Training Expenditure	CNY	1,374,418.12
Employee Rights Protection		
Employee Labor Contract Signing Rate	%	100
Employee Union Membership Rate	%	100
Collective Contract Coverage Rate	%	100
Incidents of Discrimination or Harassment	cases	0
Employee Welfare and Care		
Number of Assisted Employees in Difficulty	persons	36
Total Investment in Assisting Employees in Difficulty	CNY	72,000

➤ Social Performance

Indicator	Unit	2025
Occupational Health and Safety		
Number of New Occupational Disease Cases	persons	0
Number of Work-Related Injury Incidents	incidents	0
Number of Safety Accidents	incidents	0
Number of Non-Fatal Work-Related Injuries	persons	0
Lost Workdays Due to Work Injury	days	0
Lost Time Injury Frequency Rate (LTIFR)	per million hours worked	0
Total Recordable Injury Rate (TRIR)	per million hours worked	0
Number of Work-Related Fatalities	persons	0
Number of safety emergency drills conducted	times	2
Number of OHS Training Sessions Conducted	times	12
OHS Training Coverage Rate	%	99
Average OHS Training Hours per Employee	hours/person	1.5
Employee Physical Examination Coverage Rate	%	100
Work-Related Injury Insurance Expenditure	RMB 10,000	220.12
Innovation-Driven Development		
R&D Investment	RMB 10,000	17,551.61
R&D Investment as a Percentage of Main Business Revenue	%	1.48
Percentage of R&D Personnel	%	8.98
New Utility Model Patents	patents	17
New Invention Patents	patents	3
Accumulated Utility Model Patents	patents	135
Accumulated Invention Patents	patents	54
Product and Service Quality and Safety		
Total Quality Training Hours	hours	35,728
Product Qualification Rate	%	99.46
Product Recall Incidents	cases	0
Major Safety & Quality Liability Accidents	cases	0

➤ Social Performance

Indicator	Unit	2025
Customer Service		
Number of Customer Satisfaction Surveys Distributed	copies	115
Number of Valid Customer Satisfaction Surveys Returned	copies	92
Average Customer Satisfaction Score	points	92.59
Customer Complaint Handling Rate	%	100
Average Complaint Handling Time	days	2
Number of Responsible Marketing Training Sessions	times	30
Total Participants in Responsible Marketing Training	person-times	1,800
Coverage Rate of Relevant Personnel in Responsible Marketing Training	%	100
Average Responsible Marketing Training Hours per Person	hours/person	2.5
Number of Customer-oriented Training Sessions	times	30
Total Customer-oriented Training Hours	hours	150
Supplier Management		
Number of Wood Pulp Suppliers in Mainland China	suppliers	4
Number of Wood Pulp Suppliers Outside Mainland China	suppliers	15
Percentage of Wood Pulp Suppliers with FSC/PEFC Certifications	%	100
Number of Suppliers with Quality Management System Certification	suppliers	26
Number of Suppliers with Environmental Management System Certification	suppliers	20
Number of Suppliers with OHS Management System Certification	suppliers	10
Number of Suppliers with Other Sustainability-related Recognitions	suppliers	2
Total Suppliers Audited (Written or On-site)	suppliers	25
Percentage of Key Suppliers Covered by Audits	%	100
Number of Suppliers Assessed as Having Significant Actual/Potential Negative Impacts	suppliers	0
Number of Suppliers Signed with ESG Clauses	suppliers	6
Number of Internal Procurement Training Sessions	times	10
Coverage Rate of Internal Procurement Training	%	100

➤ Social Performance

Indicator	Unit	2025
Social Contribution		
External Public Welfare Donations	RMB 10,000	148.50
Rural Revitalization		
Total Investment in Rural Revitalization	RMB 10,000	1,282.46
Number of Beneficiaries in Rural Revitalization	persons	439

➤ Corporate Governance

Indicator	Unit	2025
Corporate Governance		
Total Number of Directors	persons	9
Including: Independent Directors	persons	3
Including: Female Directors	persons	1
Number of Shareholders' Meetings	times	5
Number of Board Meetings	times	9
Meetings of Board Sustainability (ESG) Committee	times	1
Meetings of Board Strategy Committee	times	3
Meetings of Board Nomination Committee	times	4
Meetings of Board Remuneration & Appraisal Committee	times	1
Meetings of Board Audit Committee	times	4
Performance Briefings Held	times	3
Investor Questions Answered on Interactive Platform	times	54
Response Rate on Interactive Platform	%	100
Announcements on Institutional Investor Research	announcements	1
Total Announcements Disclosed on Designated Channels	announcements	144

Corporate Governance

Indicator	Unit	2025
Compliance Management		
Number of Compliance-oriented Training Sessions	times	380
Total Participants in Compliance Training	person-times	4,224
Compliance Training Coverage Rate	%	98.99
Total Hours of Compliance Training	hours	8,760
Number of Internal Audits Conducted	times	12
Intellectual Property Protection		
Participants in IP Protection Training	person-times	2,261
Average IP Training Hours per Person	hours	1.77
Updated Filings for Patent-intensive Products	Items	7
Information Security Protection		
Information Security Training Coverage Rate	%	100
Total Hours of Information Security Training	hours	59.5
Business Ethics		
Incidents of Bribery, Corruption, Unfair Competition, Conflict of Interest, Money Laundering, and Insider Trading	cases	0
Violations Involving Litigation or Significant Administrative Penalties	cases	0
Employee Integrity Agreement Signing Rate	%	100
Supplier Integrity Agreement/Clause Coverage Rate	%	100
Customer Integrity Agreement/Clause Coverage Rate	%	100
Total Anti-corruption Training Sessions	times	50
Employee Coverage Rate for Anti-bribery Training	%	84.26
Management Coverage Rate for Anti-bribery Training	%	100
Board Coverage Rate for Anti-bribery Training	%	100


Index of Indicators

Report Framework	GRI Standards	Shanghai Stock Exchange Self Regulatory Guidelines for Listed Companies No. 14- Sustainable Development Report (Trial)
Report Introduction		
About the Report	GRI 2-2: Entities included in the organization's sustainability reporting	Article 4 Article 6
	GRI 2-3: Reporting period, frequency and contact point	
Chairman's Speech	GRI 2-22 Statement on sustainable development strategy	
About Us	GRI 2-1: Organizational details	
	GRI 2-6: Activities, value chain and other business relationships	
Sustainability Management	GRI 2-12: Role of the highest governance body in overseeing the management of impacts	Article 5 Article 9 Article 12 Article 13
	GRI 2-13: Delegation of responsibility for managing impacts	
	GRI 2-14: Role of the highest governance body in sustainability reporting	
	GRI 2-22: Statement on sustainable development strategy	
	GRI 2-29: Approach to stakeholder engagement	
	GRI 3-1: Process to determine material topics	
	GRI 3-2: List of material topics	
	GRI 3-3: Management of material topics	
Environment Section: Green and Low-carbon, Circular Development		
Environmental Management	GRI 2-25: Processes to remediate negative impacts	Article 33
	GRI 2-27: Compliance with laws and regulations	
Climate Action	GRI 302-1: Energy consumption within the organization	Article 12
	GRI 302-2: Energy consumption outside of the organization	Article 22
	GRI 302-3: Energy intensity	Article 23
	GRI 302-4: Reduction of energy consumption	Article 24
	GRI 305-1: Direct (Scope 1) GHG emissions	Article 25
	GRI 305-2: Energy indirect (Scope 2) GHG emissions	Article 27
	GRI 305-1: Direct (Scope 1) GHG emissions	Article 28
	GRI 305-2: Energy indirect (Scope 2) GHG emissions	Article 38

Report Framework	GRI Standards	Shanghai Stock Exchange Self Regulatory Guidelines for Listed Companies No. 14- Sustainable Development Report (Trial)
Climate Action	GRI 305-3: Other indirect (Scope 3) GHG emissions	
	GRI 305-4: GHG emissions intensity	
Water Resources Management	GRI 303-1: Interactions with water as a shared resource	Article 36
	GRI 303-2: Management of water discharge-related impacts	
	GRI 303-5: Water consumption	
Pollution Control	GRI 303-4: Water discharge	Article 29 Article 30 Article 31
	GRI 305-7: Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
	GRI 306-1: Waste generation and waste-related impacts	
	GRI 306-2: Management of waste-related impacts	
	GRI 306-3: Waste generated	
	GRI 306-4: Waste diverted from disposal	
Resource Circularity	GRI 306-5: Waste directed to disposal	Article 37
Ecological Protection	GRI 101-2: Management of biodiversity impacts	Article 32
	GRI 101-4: Identification of biodiversity impacts	
	GRI 101-5: Locations with biodiversity impacts	
Product Section: Quality First, Win-Win Cooperation		
Commitment to Innovation-Driven Development		Article 42
Strict Quality Control	GRI 416-1: Assessment of the health and safety impacts of product and service categories	Article 47
	GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	
	GRI 417-1: Requirements for product and service information and labeling	
Provision of High-Quality Services		Article 47 Article 48

Report Framework	GRI Standards	Shanghai Stock Exchange Self Regulatory Guidelines for Listed Companies No. 14- Sustainable Development Report (Trial)
Connecting to a Green Future	GRI 308-1: New suppliers that were screened using environmental criteria	Article 37 Article 45 Article 46
	GRI 308-2: Negative environmental impacts in the supply chain and actions taken	
	GRI 414-1: New suppliers that were screened using social criteria	
	GRI 414-2: Negative social impacts in the supply chain and actions taken	
Supporting Industry Development		Article 42
Partnership Section: People-oriented and Shared Prosperity		
Employee Benefits and Welfare	GRI 2-7: Employees	Article 49 Article 22
	GRI 2-23: Policy commitments	
	GRI 2-30: Collective bargaining agreements	
	GRI 401-1: New employee hires and employee turnover	
	GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	GRI 405-1: Diversity of governance bodies and employees	
Employee Growth and Development	GRI 406-1: Incidents of discrimination and corrective actions taken	Article 49
	GRI 404-1: Average hours of training per year per employee	
	GRI 404-2: Programs for upgrading employee skills and transition assistance programs	
Employee Health and Safety	GRI 404-3: Percentage of employees receiving regular performance and career development reviews	Article 50
	GRI 403-1: Occupational health and safety management system	
	GRI 403-2: Hazard identification, risk assessment, and incident investigation	
	GRI 403-3: Occupational health services	
	GRI 403-5: Worker training on occupational health and safety	
	GRI 403-6: Promotion of worker health	
	GRI 403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	GRI 403-8: Workers covered by an occupational health and safety management system	

Report Framework	GRI Standards	Shanghai Stock Exchange Self Regulatory Guidelines for Listed Companies No. 14- Sustainable Development Report (Trial)
Employee Health and Safety	GRI 403-9: Work-related injuries	
	GRI 403-10: Work-related ill health	
Philanthropy and Social Contribution	GRI 203-2: Significant indirect economic impacts	Article 39 Article 40
Governance Chapter: Pragmatic Implementation and Solid Foundation Building		
Corporate Governance	GRI 2-9: Governance structure and composition	
	GRI 2-11: Chair of the highest governance body	
	GRI 2-14: Role of the highest governance body in sustainability reporting	
	GRI 2-16: Communication of critical concerns	
	GRI 405-1: Diversity of governance bodies and employees	
Compliance Management		Article 48
Business Ethics	GRI 205-1: Operations assessed for risks related to corruption	
	GRI 205-2: Communication and training about anti-corruption policies and procedures	Article 55
	GRI 205-3: Confirmed incidents of corruption and actions taken	Article 56
	GRI 206-1: Legal actions for anti-competitive behavior, antitrust, and monopoly practices	
Risk Management		
Party Building Leadership		Article 2
Appendix		
Key Performance Table		Article 6
Index of Indicators		Article 57
Feedback Form		



Feedback Form

Thank you for reading the "Xianhe Co., Ltd. 2025 Sustainability Report". To provide more valuable information to you and other stakeholders, and to enhance our Company's sustainability management capabilities and future ESG disclosure quality, we sincerely welcome your feedback and suggestions on the report.



Scan
Fill Out The Reader Feedback Form