



**WINOX**

**WINOX HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6838

**2025**

**Environmental, Social  
and Governance Report**

# CONTENTS

Company Overview	2
Sustainable Development	2
Reporting Period and Scope	2
Board Engagement	3
Environmental Policies	7
Green Actions	7
Climate resilience and mitigation	10
Employees	16
Health and Safety	18
Development and Training	18
Customers, Suppliers and Other Business Partners	19
Anti-Corruption Policy	21
Care for Community	22
Environmental Performance Data	23
Social Performance Data	24
Environmental, Social and Governance Reporting Guide Index	26
Index for Climate-Related Disclosures under Part D of Appendix C2 to the Listing Rules	32

# Environmental, Social and Governance Report

## COMPANY OVERVIEW

Winox Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are principally engaged in the development and manufacturing of stainless steel products such as watch bracelets, mobile phone cases and parts, smart wearable cases and parts, and fashion accessories on an OEM (Original Equipment Manufacturer) basis for our customers. Our customers include internationally renowned brands from Switzerland and various countries in Europe.

We are committed to offering a comprehensive and one-stop product development and manufacturing solution for our customers. We develop and maintain close working relationship with our customers, and cater to their needs by leveraging our strengths such as reliable quality standard, flexibility in design and manufacturing techniques, competitive pricing and on-time delivery.

The Group is headquartered in Hong Kong with two production facilities situated in the PRC.

## SUSTAINABLE DEVELOPMENT

The Group adopts a product diversification model which provides a significant platform to broaden our customer base and expand our market share in the industry. We strategically utilise our resources to advance our skills and technology so as to enrich our product variety and sophistication. We are committed to working closely with our customers to deliver quality and cost-effective products efficiently. This enables us to maintain long-term business relationship with our stakeholders. Our goal is to put continuous efforts to reinforce our operational efficiency so as to achieve long-term business sustainability and drive improvement.

We review our sustainable development policy annually, with an aim to reduce the adverse effect of our operations on the environment and natural resources, and ensure that our policies comply with relevant regulatory requirements while catering to business needs and keeping abreast with the times. We understand that to create long-term value for our stakeholders and local communities, it is necessary to mitigate the negative environmental impact caused by the business operations. Aside from emissions and resource consumption, the Group’s business has no other material impact on the environment or natural resources.

## REPORTING PERIOD AND SCOPE

This report covers the year ended 31 December 2025 (the reporting period from 1 January 2025 to 31 December 2025). Unless otherwise stated, the scope of this report includes the data and activities from the office in Hong Kong, and the office and two production facilities in the PRC of the Group.

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) as set out in Appendix C2 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and disclosed information on the sustainable development performance in respect of important relevant areas of the Group under the ESG Guide during the reporting period.

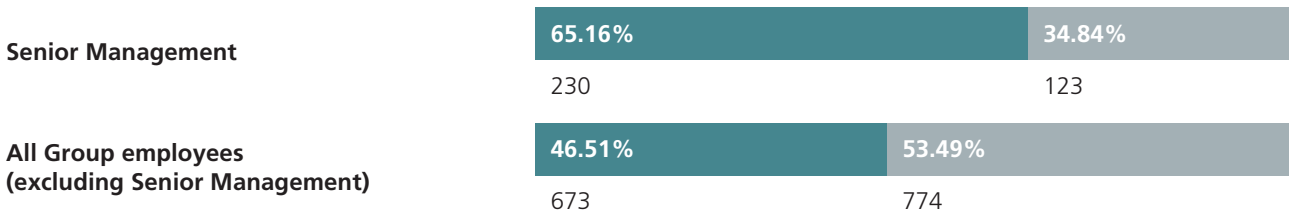
## DIVERSITY

The Group is committed to cultivating and preserving a diverse and inclusive workplace and fostering an open and dynamic environment that allows the employees to thrive and reach their full potential.

We are dedicated to upholding diversity and inclusion in the employment-related practices including, among others,

- complying with all applicable equal opportunities and good management practices in all employment-related decisions;
- promoting equal opportunities at work to all employees, eliminating discrimination, harassment and vilification in employment;
- ensuring all employment-related decisions are made based on merits, free from any form of discrimination or bias;
- raising diversity and inclusion awareness among the Group’s employees through regular training; and
- providing various mechanisms for employees to raise their concerns relating to the workplace.

As of 31 December 2025, the gender diversity of the Group’s employees is set out below. As of 31 December 2025, the Senior Management had approximately 34 per cent female representation.



■ Male    ■ Female

## BOARD ENGAGEMENT

With the increasing importance attached to environmental, social and governance (“ESG”) issues by society and major regulatory authorities, the Group has strengthened the management and supervision of ESG issues and incorporated them into the corporate strategic responsibility.

The board (the “Board”) of directors (“Directors”) of the Company is responsible for monitoring broader trends, risks and opportunities of sustainable development, and assessing the influence on the Group’s long-term development and positioning. The Board is also responsible for monitoring our risk management structure and sustainable risks, including the risks relating to climate, and reporting and discussing major sustainable issues at quarterly Board meetings. We also regularly carry out various risk identification, analysis and review management procedures through the Audit Committee and Enterprise Risk Management (ERM) system, including recorded summaries in the Corporate Risk Register. The management will report to the Board at the regular Board meetings on the latest development of ESG issues.

The Board issued a statement that: “In addition to taking the responsibility for environmental, social and governance issues and incorporating them into the Group’s strategy, the Board is also responsible for the management and monitoring of relevant environmental, social and governance issues. These issues have been identified after taking into account the recommendations of the ESG Committee.”

The Board has reviewed and considered the ESG strategy of the Group and this report. This report has also been reviewed and approved by the senior management of the Group.

**ESG Committee**

The Company has established the ESG Committee. This committee is responsible for providing recommendations and assistance to the Board in respect of the management of the Group’s ESG issues. Related issues include governance, policies, implementation, performance and reporting. The ESG Committee is led by the Executive Directors and its members come from different departments, including the finance and accounting department and administrative department.

Meanwhile, the Group has established the ESG Executive Committee, members of which include representatives of different facilities and departments in the PRC. Its duty is to introduce, formulate and implement the Group’s policies, objectives, data collection and compilation, control and other related issues in respect of the scope of the Group’s ESG, convey the details of the implementation of relevant objectives, data collection and control to all departments/business lines of the facilities for their implementation, and report the progress and details to the ESG Committee.

**Regulatory Framework for Sustainable Development**

The ESG Committee is led by the Executive Directors and its members come from different departments, including the finance and accounting department and administrative department. The members of the ESG Executive Committee include representatives of facilities and their important departments in the PRC.



## Stakeholders Engagement

The Group maintains close communication with its stakeholders (including customers, employees, suppliers, media, shareholders, regulatory authorities and the community). Through repeated discussions and direct communication, the Group has access to understand the core issues most concerned by key stakeholders. Understanding key issues from internal and external perspectives through key stakeholders helps to formulate the Group's corporate strategies, objectives, goals, plans and measures, so as to promote the sustainability of the Group's business as a whole.

Over the years, the Group has continued to fine-tune our sustainability focus, addressing important issues. Stakeholders' expectations have been taken into consideration by utilising diversified engagement channels as shown below:

### Communication Channels of our Stakeholders

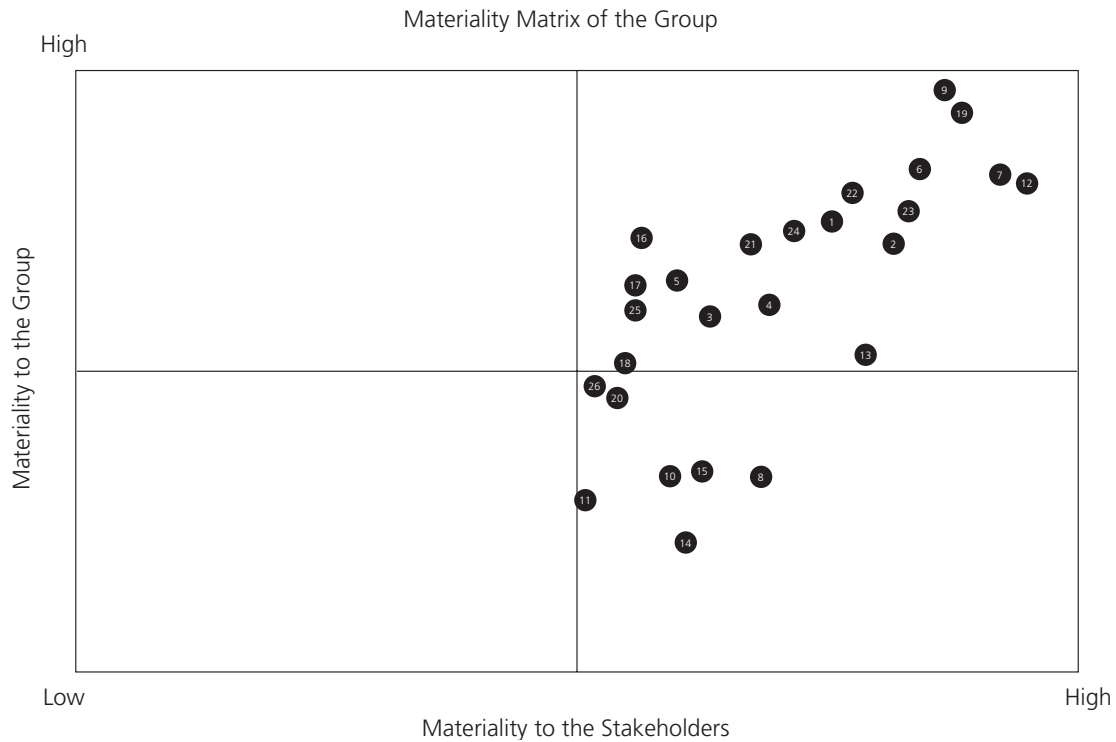
Stakeholders	Engagement channels
The Stock Exchange	Announcements, notices of meetings, circulars on the Stock Exchange website Email, direct dialogues, telephone or meetings
Governments and regulatory authorities	Statutory filings and notification Visits and government inspections
Shareholders and investors	Annual General Meeting and other shareholder meetings Annual and interim reports Announcements, notices of meetings and circulars
Customers	Company website Regular meetings and communication Email, direct dialogues, telephone or meetings as required in daily operation
Suppliers	Procurement processes Audits and assessments Regular progress meetings Regular assessment
Employees	Training programmes, seminars and briefings Performance reviews and appraisals Promote career development and enhance competence at all levels Regular meetings and internal memos Email
Media and the public	Email, direct dialogues, telephone or meetings Donation and sponsorship Press conference and interviews ESG reports

The Group endeavours to maintain active communications with stakeholders through different engagement channels. We also enhance the reporting principles of materiality, quantification, balance and consistency, in order to define the content of the ESG report and presentation of the information that is more in line with the expectations of stakeholders.

### PRINCIPLE OF MATERIALITY

The Group has adopted the principle of materiality in this report. During the reporting period, the Company has conducted an materiality assessment. The objective of materiality assessment is to identify ESG issues that are essential and relevant to the Group’s operation. We referred to the ESG Guide and proposed possible issues for evaluation to identify potential major issues to be disclosed in this report.

The following chart shows the materiality matrix of the Group:



- 1 Compliance with relevant environmental protection regulations
- 2 Reliable products and services
- 3 Anti-corruption
- 4 Protection of labour rights
- 5 Greenhouse gas emissions
- 6 Wastewater treatment and water reuse
- 7 Water consumption and conservation
- 8 Healthy and safe working environment and ancillaries
- 9 Energy consumption and conservation
- 10 Climate change
- 11 Waste management
- 12 Customer relations
- 13 Technological innovation
- 14 Ecological environment and biodiversity protection
- 15 Responsible and sustainable procurement
- 16 Supply chain management
- 17 Employee welfare
- 18 Employee training and career development opportunities
- 19 Use of renewable energy
- 20 Workforce diversity and equal opportunity
- 21 Employee relations
- 22 Customer privacy
- 23 Safeguarding intellectual property rights
- 24 Community contribution
- 25 Air pollutant emissions
- 26 Minimising the impact on communities

## ENVIRONMENTAL POLICIES

As an environmentally oriented enterprise, the Group is committed to reducing the negative impact on the environment arising from operations and production processes, and fully takes various environmental factors into account to optimise the use of resources and reduce waste. The Group strictly complies with applicable environmental regulations and other statutory requirements, and actively encourages each of its stakeholders to contribute to environmental protection.

We have adopted the following principles to minimise the impact on the environment from the Group's operations:

- Comply with relevant environmental regulations and other statutory requirements;
- Monitor and review the impact of the Group's operations on the environment on a regular basis; and
- Require all staff to assume environmental responsibilities, such as implementing green measures at offices to enhance their environmental awareness.

## GREEN ACTIONS

The environmental impacts from our operations mainly are related to energy consumption, and sewage and waste production. To alleviate the impact on the environment caused by our operations, we are committed to reducing pollution and carbon emission arising from our production processes to comply with relevant environmental regulations and other statutory requirements, such as the atmospheric pollutant emission restriction stipulated by the "Atmospheric Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國大氣污染防治法》), and implement environmental management in accordance with the requirements of ISO 14001: 2015 environmental management system.

Meanwhile, the Fengcai Factory in Huzhen has successfully obtained the IATF 16949:2016 automotive industry quality management system certification and the ISO9001:2015 quality management system certification in 2025. The relevant system certificates were issued in October 2025, further enhancing control measures.

The Group is committed to pursuing stable and sustainable development. Through adopting various energy saving and emission reduction measures, the Group advocates the environmental protection concepts of reuse and recycling to reduce GHG emissions and hazardous and non-hazardous wastes, as well as increasing energy and water efficiency, with the aim of meeting the carbon neutrality goal at operational level.

Vehicle emission is not the main source of air pollution for the Group, with no significant environmental impact caused by its emission of exhaust gas. GHG emissions reported by the Group exclude the emissions related to the office in Hong Kong, as such data have no material impact on the overall emission performance.

### Reduction of GHG Emissions

For reducing the exhaust gases and GHG emissions from our production processes, we have adopted the following environmental measures. The Group has conducted regular checks, monitored the operation closely, submitted environmental assessment reports to the Environmental Protection Bureau regularly, and obtained relevant environmental approvals and pollutant discharge permits in relation to our operations.

Exhaust gases and GHG generated during the production processes	Measures for reducing exhaust gases and GHG
Exhaust gas dusts generated during the grinding and polishing processes	Install fan systems for collecting exhaust gas dusts. Prior to emission of such dusts, recycled water is used for sprinkling and activated carbon absorption treatment is conducted for reaching the required standards.
Exhaust gases from generators	Establish exhaust gas collection towers. The method of lye sprinkling is adopted for reaching the required standards for emission at a high altitude.
Oily fumes and exhaust gases generated during cooking at kitchens	Install fan systems for collecting oily fumes and exhaust gases. Such gases go through exhaust gas collection towers, and undergo lye sprinkling and oily fume purification before reaching the required standards for emissions at a high altitude.

The exhaust gas treatment facilities as mentioned above have been upgraded. Upon completion of upgrading, the emission of exhaust gas after treatment reaches the standards specified by the “Emission Limits of Air Pollutants” (《大氣污染物排放限値》) of Guangdong Province, thereby reducing the emissions of hazardous exhaust gases.

In addition to controlling exhaust gas emissions during production, we also use more green energy equipment, such as electric vehicles, so as to reduce vehicle emissions. Besides, we have a designated department responsible for collecting data, including the basic information of the unit, annual GHG emissions, activity level data and sources, emission factor data and sources, making analysis for the administrative department to formulate energy-saving and emission reduction indicators for implementation and control by each department, and recommending improvement methods and energy-saving measures where feasible.

### Sewage Treatment

For reducing the sewage generated from our production processes, we have adopted the following sewage reduction measures and conducted regular monitoring. We have submitted environmental assessment reports to the Environmental Protection Bureau on a regular basis and obtained relevant environmental approvals and pollutant discharge permits in relation to our operations, so as to comply with the environmental regulations and standards of the PRC such as the “Water Pollution Prevention and Control Law of the People’s Republic of China” (《中華人民共和國水污染防治法》).

Sewage generated during the production processes	Measures for reducing sewage discharges
Integrated wastewater <ul style="list-style-type: none"> <li>Wastewater generated during the polishing and washing processes</li> <li>Wastewater generated during the carbonisation and water polishing processes</li> </ul>	Build our own sewage treatment station and pipe network to collect wastewater generated from various processes and workshops, with level-two dosing coagulating sedimentation treatment, quartz sand and activated carbon absorption and fiber high quality PP cotton filtration treatment conducted to reach the required standards. Upon meeting the standards, such treated wastewater would be recycled and reused for polishing and washing processes, while the rest would be discharged in accordance with the instructions of relevant environmental departments.

Upon completion of upgrading the sewage treatment station, the discharged wastewater is treated to meet the required standards before being recycled and reused in production workshops.

In 2025, 35,889 tonnes of sewage were treated with 21,051 tonnes reused for production, representing a reuse rate of 58.66%. This led to a reduction in both fresh water consumption and sewage discharge.

### Water Resources Management

The Group’s goal is to save and recycle water as much as possible in the process of business operation. Therefore, the Group is committed to cultivating its staff’s awareness of water conservation, encouraging them to monitor water consumption in the workplace, and taking a number of water conservation measures. For instance, we regularly check the plumbing system and faucets to ensure their proper operation and prevent water leakage in various workplaces. In addition, we also monitor monthly water consumption to control water use and achieve our water resources management objectives.

### Utilisation of Materials

The Group also attaches great importance to making good use of raw materials and packaging materials. Therefore, we evaluate the amount of materials before procurement to avoid waste of resources caused by excess inventory. Besides, we try to reduce the use of disposable materials and replace them with recyclable materials. We strive to recycle and make good use of recyclable materials produced in the process of production, activities or services. In addition, we also plan to use degradable packaging materials.

## Waste Disposal

The Group is also committed to minimising the waste generated from our production processes by classifying all waste and garbage as well as handling, discarding and treating the collected waste according to the local laws and regulations. Waste is mainly divided into hazardous and non-hazardous waste for disposal.

### Hazardous Waste Disposal

The Group's hazardous wastes mainly comprise sludge and etching waste liquid. For the disposal of hazardous wastes, we have taken the following measures to comply with relevant laws, including the "Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China" (《中華人民共和國固體廢物污染環境防治法》):

- Establish secondary leak-proof facilities;
- Set up warehouses to store hazardous wastes with dedicated personnel to manage such collection and storage;
- Engage a chemical waste disposal company in the PRC with a business permit for handling hazardous wastes to collect, store and dispose of the chemical wastes produced during our production processes;
- Engage a recycling company to sell and recycle stainless steel residues and wastes produced during our production processes;
- Engage an external agency approved by local environmental departments in the PRC to install waste treatment facilities;
- Classify chemical wastes and get them correctly packed and properly labelled for identification purpose before passing them to the entrusted entity; and
- Provide clear work guidelines to employees at the facilities in the PRC.

### Non-hazardous Waste Disposal

The companies of our Group in Mainland China have set up domestic waste units, where dedicated personnel collect and manage domestic waste and transport such waste to local Environmental Health Department for centralised disposal. Wastes with reuse value (such as paper, plastics and hardware) are classified, stored and passed to waste recycling companies for handling. In addition, we have also adopted measures to reduce domestic waste, including the use of computer systems to replace handwritten lists in respect of equipment maintenance checklists and purchase requisitions. For staff attendance, fingerprint punch clocks are used to replace paper records. Furthermore, an electronic recording system has been in use to monitor the usage of photocopiers. The above measures have effectively reduced the consumption of paper products and waste generation.

We have also posted leaflets at the staff dormitories to raise awareness on garbage classification among employees and installed recycling bins for sorting and recycling to reduce wastes.

## Green Management

For the purpose of effectively managing the use of resources, we promote green practices at our offices to boost the environmental awareness among employees. We have introduced energy efficient equipment at our factories in Mainland China. For instance, the lighting at the factories has been replaced with light-emitting diodes (LED) and smart lighting bulbs to raise energy efficiency.

Under the green office policy, we have set forth green rules at our offices, requiring employees to perform their responsibilities in environmental protection. For instance, they should turn off the power when electric appliances (such as computers or lights) are not in use, so as to optimise the use of energy.

The 500T hydraulic presses at the factories have been upgraded, with the original 500T hydraulic presses (11KW) replaced by 500T servo-controlled ones (31.4KW), increasing the power-saving efficiency by approximately 38% and enabling each machine to save approximately 12,540 kWh of electricity per year. We also allow production workshops to use hot water from the residual heat of air compressors. With approximately three tonnes of hot water produced per day, we can save approximately 8,136 kWh of electricity every year. In addition, we also started to use several smart air compressors at the end of 2023 for saving energy more efficiently.

Furthermore, the original diesel boilers in staff dormitories have been replaced with a hot water system powered by heat pumps to produce hot water, and diesel stoves in our canteens have been replaced with induction cookers, thus achieving zero emission of exhaust fumes.

Besides, a more energy saving water curtain cooling system has been installed for reducing heat generated in the course of production and lowering room temperature at our factories by adopting the principle of convection. It helps to keep the whole area well-ventilated. For the system, ventilation fans are installed at one end in which inside airs could be diverted to the outside area while at the other end, a water curtain system is placed for pulling outside cooler air into the inside area for the purpose of increasing room humidity and reducing room temperature.

In addition, various degrees of corrosion, perforation and leakage are found in the main water supply pipelines (galvanised pipes) and fire service pipelines at our factories in Mainland China, after more than a decade of operation. Since 2013, we have planned to replace the water pipelines by section and area according to the degree of corrosion, without affecting production. So far, approximately 75% of the main water supply pipelines have been replaced.

As for the use of raw materials, the Group has established a special set of indicators and a dedicated reward system to encourage the employees to prevent human errors and wastage during our production processes. The system and indicators are designed to control the consumption of spare parts and prevent the overall cost of raw materials from exceeding our budget, thereby reducing wastage and achieving the objective of environmental protection and conservation.

Furthermore, the Group has rolled out the landscape greening scheme at its factories in Mainland China by enlarging greenery areas in the factory area for the purpose of improving air quality and providing the employees with a quality green environment. In addition, the factory in Dalang has purchased approximately 2,429 green certificates and strengthened energy conservation management to offset the Company's energy indirect emissions (Scope 2) of 2,429,000 kWh, avoiding penalties for failing to meet the environmental targets.

## CLIMATE RESILIENCE AND MITIGATION

The Group understands that climate change will not only present risks to our business, but also opportunities. As a result, we have developed a climate change strategy that integrates climate risk assessment into the Group's risk management framework and establishes greenhouse gas emission reduction targets, for the purpose of mitigating the impacts of climate change. We strive to enhance the resource efficiency of our business operations in all aspects, in response to the national carbon neutrality goals and the objectives of the Paris Agreement, so as to address global climate change.

Our Group complies with all relevant environmental, legal, and statutory requirements in its business operations, and continuously reviews its environmental management system and carbon reduction initiatives to effectively control greenhouse gas emissions across the supply chain and daily operations.

### Climate Change Policy

In fact, the issue of climate change has raised global alarm, with some countries even calling it a climate "emergency." As an environmentally conscious and sustainable company, we are committed to taking on the responsibility of reducing greenhouse gas emissions and we also recognize that the potential climate-related impacts will pose challenges to both our business operations and the communities. We have developed a climate change strategy to address these risks while seizing opportunities for development wherever possible, ensuring that our business strategy is aligned with long-term climate trends and remains agile in the face of inevitable changes in the business environment. This supports our climate transition plan and enhances our ability to adapt to climate change, pursue climate mitigation, and build resilience.

With regard to climate change, the ESG Committee is responsible for:

- Assessing, understanding, and managing potential climate-related risks (including the nature, likelihood, and magnitude of the effects of those risks), as well as opportunities for our business operations and the value chain, and integrating climate risk assessment into the Group's risk management framework to review climate-related risks and opportunities, thereby evaluating strategies and material policies for addressing climate change;
- Overseeing the implementation of climate change-related initiatives, and managing their progress and performance;
- Disclosing climate-related risks and opportunities, as well as their management approaches, in accordance with internationally recognized standards;
- Establishing greenhouse gas emission reduction targets and pursuing continuous improvement in greenhouse gas emission reduction; and
- Allocating resources to develop and implement climate transition plans.

The ESG Committee will report directly to the Board and make recommendations. After receiving the recommendations from the ESG Committee, the Board will have further review and discussion in determining whether to approve the relevant recommendations. In assessing the effectiveness of the Group's risk management, the Board and the Audit Committee also take into account ESG-related risks, including climate change-related risks.

The Group has implemented the internationally recognized environmental management system, ISO14001:2015 to standardize the Company's management approach and reduce the environmental impact of the Group's operations.

At the same time, we encourage low-carbon working models to create a sustainable work environment and provide practical information for improving efficiency. We encourage employees to reduce paper usage, make greater use of digital tools, and take advantage of energy-saving devices to enhance energy efficiency.

## **Governance**

### **Risk and Opportunity Identification**

The ESG Executive Committee held regular meetings during the year to ensure that potential climate risks have been properly monitored, measured, and mitigated, to review climate change strategies and improvement measures, and to assess the implementation of policies in achieving climate-related targets and indicators. On the other hand, the ESG Committee is responsible for managing climate-related risks and opportunities, while overseeing the implementation of various policies and measures to achieve the strategic vision and direction approved by the Board.

The ESG Executive committee and the ESG Committee monitor the performance of various functional departments in meeting climate-related targets, assess the nature and extent of climate-related risks involved in achieving the Group's strategic objectives from economic, environmental, and social perspectives, and regularly report to the Board on the latest climate-related matters of importance to the industry.

At the same time, we have established a sustainability plan to address climate-related risks and opportunities, ensuring that the Company can effectively and consistently implement continuous improvement plans and approaches in sustainability. We also review the effectiveness of the Group's risk management and control procedures in identifying and monitoring climate-related risks, and report any significant findings to the Audit Committee.

At the business execution and operational level, we encourage the management and employees to actively participate in climate-related learning activities, stay informed on the latest industry developments, and raise employees' climate risk awareness and upgrade their response skills. Through training and awareness campaigns, we also cultivate employees' attention to environmental and climate change issues. Furthermore, we require suppliers to adopt climate change-related risk prevention measures in order to manage and monitor climate change-related risks. In 2025, we conducted climate change response training for department heads who are responsible for climate change response. The training covered the latest global and domestic trends and regulatory requirements related to climate change, as well as recommendations for enhancing climate management. Through these efforts, we aim at effectively enhancing climate resilience by strengthening the climate awareness and management capabilities of our leadership.

In 2025, the remuneration of senior management of the Group was not linked to climate-related KPI. In fact, the Group has not yet incorporated climate-related performance indicators into its remuneration policy, mainly because the climate management system is still under progress and the relevant quantitative assessment standards are not yet mature. The Group plans to complete a feasibility study on linking climate performance to compensation by 2027, exploring the inclusion of indicators such as energy conservation and emission reduction targets and low-carbon product development progress into the compensation assessment system for senior management. The specific implementation plan will be dynamically adjusted according to the Group's climate transition progress.

## **Strategies**

### **Risk and Opportunity Identification**

We must understand current and future climate risks in order to protect our assets from immediate harm, while planning long-term adaptation measures for future impacts. Based on the results of risk assessments, as well as the level and nature of the risks, different response strategies should be adopted, including risk reduction, risk acceptance, risk avoidance, and risk sharing. In 2025, we conducted a new round of climate-related risk and opportunity identification and assessment to identify significant climate-related risks and opportunities. Climate change risks are categorized as short-term, medium-term, and long-term, with 2025 representing the present, 2030 representing the short term, 2035 representing the medium term, and 2040 representing the long term, in order to develop mitigation and adaptation measures to address each risk.

At the same time, the Group will annually analyze the causes of significant risks, establish an early warning mechanism and conduct ongoing monitoring, develop emergency response plans, and dynamically adjust control measures.

We have also implemented multiple measures in our production processes, including improving the energy management system, enhancing intelligent management, upgrading energy-saving technologies, and upgrading equipment. From the perspectives of management enhancement and technical improvement, we continuously explore opportunities to improve energy efficiency and raise the level of sustainable operations, thereby reducing energy consumption and greenhouse gas emissions.

The Group has not yet established an internal carbon pricing system and has not incorporated carbon pricing into its current investment decision-making, operational management, and strategic planning processes.

#### **Climate-Related Transition Risks**

The Group has currently identified transition risks associated with moving toward a low-carbon, pollution-reducing, and green economy. In the short term, the risks we face include increased emissions reporting obligations from local and mainland regulatory authorities, which will raise the Group's compliance costs.

In fact, regulatory requirements for corporate green transitions are becoming increasingly stringent worldwide. Hong Kong, where the Company is listed, has updated and published Appendix C2, the "Environmental, Social and Governance Reporting Code," which imposes stricter requirements on climate-related disclosures by listed companies. On the other hand, to achieve its "dual carbon" goals, China has established a series of energy conservation and emission reduction plans, aiming to reduce energy intensity per unit of GDP by approximately 2.5% annually between 2021 and 2025.

Accordingly, the Group will continue to monitor the latest developments in domestic and international laws and regulations, and will persistently improve its sustainability performance. As of the end of this reporting period, the Group had not been subject to any significant regulatory penalties. However, as regulations and scrutiny in areas such as energy conservation and emission reduction, plastic packaging, and ecological protection become increasingly stringent, the Group expects to incur higher compliance costs. Any regulatory penalties could further impact our product sales and revenue. In addition, our suppliers may raise raw materials prices in response to compliance requirements, which would in turn lead to an increase in our costs.

#### **Climate-Related Physical Risks**

In the medium term, the Group has identified physical risks including severe risks caused by extreme weather events, such as flooding, tropical cyclones, and natural disasters.

As climate change becomes increasingly severe, the frequency and intensity of extreme weather events such as typhoons and floods are also rising. Extreme weather may disrupt our production, storage, and transportation processes, affecting the Group's normal operations and raising operational costs. On the other hand, extreme weather may also damage the buildings, equipment, and facilities of the Group's factories, and threaten the health and safety of employees, resulting in the impairment of asset values, and leading to increased disaster prevention expenditures and insurance costs.

In recent years, typhoons have had an impact on our operations and production. However, in 2025, the financial and business impact of extreme weather on the Group is minimal, including repair costs for plant and equipment damage, losses from production shutdowns, damage to raw materials, and property insurance premiums and so on.

In the long term, we also anticipate physical risks such as water scarcity, changing rainfall patterns, and extreme shifts in weather patterns. Both severe and chronic physical risks in the medium and long term could affect the Group's operations, potentially leading to asset write-offs, increased insurance costs, and reduced revenue due to lower production capacity and supply chain disruptions.

The Group has not been significantly affected by climate-related extreme weather events in the past, and therefore does not have any high-risk or medium-to-high-risk locations that are vulnerable to physical climate risks. We will continue to monitor changes in climate patterns and their impact on the Group.

### Climate-Related Opportunities

Although climate risks bring pressure to the Group, they also create many opportunities. In the short, medium, and long term, we will continue to implement efficient production chains and collaborate with suppliers to minimize materials consumption and electricity usage, thereby reducing production costs.

Risks Description	Potential Impact on Business Model and Value Chain	Impact Level – Short-term, Mid-term and Long-term	Responses and Initiatives – Risks and Opportunities	
<b>Transition Risks</b>				
Policy and Legal Risks	Tightened climate-related regulations	New regulations on emissions related to climate change and enhanced emissions reporting requirements have led to an increase in operating costs.  At the same time, policy changes may lead to the early retirement of existing assets and may also require the deployment of new operational practices and processes to achieve compliance.  On the value chain side, demand for high-emission products and services is expected to decrease.	Short-term	We have enhanced our responsiveness to address the latest policy and legal requirements, and closely monitor new regulatory requirements related to emissions.
	Tightened emissions-reporting obligations	Increased emissions reporting obligations raise compliance costs.	Short-term	We will continue to revise the Group's data collection system in accordance with relevant disclosure requirements.
	Exposure to litigation	The probability of non-compliance incidents, such as environmental violations, is increasing, which could lead to significant fines and penalties and further raise compliance costs.	Mid-term	Through regular reviews, we stay informed of the latest environmental regulatory requirements and will adjust internal policies as needed to ensure compliance.
Reputation Risks	Changing investor preference	If the expectations of business stakeholders regarding sustainability performance are not met, the Company's reputation may be damaged.	Mid-term	In line with the Group's latest sustainability strategy, we have strengthened our efforts in sustainability reporting and communication with shareholders and business stakeholders.

	Risks Description	Potential Impact on Business Model and Value Chain	Impact Level – Short-term, Mid-term and Long-term	Responses and Initiatives – Risks and Opportunities
Technology Risks	Shifts to recycled raw materials, renewable energy or green energy, and low-carbon technologies.	<p>The increased technical requirements for emission reduction in products and manufacturing processes, along with the uncertainty of return on investment, lead to higher production costs.</p> <p>In fact, some customers require the Group to use a higher proportion of recycled stainless steel raw materials (80–85%), while raw materials procurement suppliers also demand higher standards and increased unit prices for raw materials. In addition, some customers require greater use of renewable or green energy, leading to an increase in production costs.</p> <p>On the value chain side, demand for high-emission products and services is expected to decrease.</p>		<p>The Group has implemented the internationally recognized environmental management system ISO14001:2015, adopted low-carbon working models, encouraged employees to reduce paper usage, and implemented digitalized management.</p> <p><i>Opportunities:</i> We are transitioning to a highly automated and intelligent manufacturing model, further lowering resource consumption, and improving production efficiency and reducing energy usage by upgrading machinery and optimizing production processes.</p> <p>On the other hand, we will adopt more efficient transportation methods, carry out recycling and reuse, and reduce water usage and consumption.</p> <p>Currently, the Group’s existing raw materials suppliers can provide raw materials with a recycled content of 80% to 85%. Meanwhile, our Mainland factories are replacing as many lighting fixtures as possible with LED lighting. In 2023, we successfully replaced the air compressor supply system with a high-efficiency intelligent compressed air system, effectively reducing the electricity consumption of the air compressor supply. On the other hand, we are also studying solar power generation.</p>

Risks Description		Potential Impact on Business Model and Value Chain	Impact Level – Short-term, Mid-term and Long-term	Responses and Initiatives – Risks and Opportunities
<b>Physical Risks</b>				
Acute Physical Risks	Frequent extreme weather events	<p>The severity of extreme weather events increases, for example: tropical cyclones, river and stream flooding, and storms.</p> <p>Facility damage disrupts production, leading to a decline in revenue. Additional emergency response expenses and insurance premiums result in financial losses.</p> <p>On the labor front, negative impacts may also arise. Higher absenteeism may be reported.</p> <p>In terms of the supply chain, transportation difficulties may lead to reduced production capacity or even shutdowns, and such operational disruptions can result in lower sales or output. Assets located in “high-risk” areas are expected to be difficult to insure.</p>	Mid-term	<p>Currently, the Group has implemented measures to protect employee safety in response to climate change risks, including strictly adhering to relevant extreme weather guidelines issued by the government. We have established emergency procedures and measures to mitigate the impact of future disasters, including issuing early warnings based on information provided by local authorities, promptly notifying employees, and making special work arrangements when necessary to safeguard employee health and safety.</p> <p>Additionally, the Group has installed lightning protection systems (lightning protection strips) on the rooftops of all its buildings. Measures such as trimming tree branches before the annual typhoon season are also taken to guard against extreme weather conditions including lightning strikes, typhoons, and heavy rainstorms.</p>
Chronic Physical Risks	Chronic heat waves	Significant increase in air conditioning system’s power consumption in manufacturing sites due to temperature rise, leading to increase in operation costs.	Long-term	The Group has implemented measures to improve working conditions in various work environments, for example, installing air conditioning, eco-friendly cooling systems, water curtain cooling equipment, negative pressure fans, exhaust fans, and ventilation systems like extraction ducts in workshops. Additionally, water spray cooling systems have been installed on metal sheet roofs, and mist spray cooling systems have been installed on roads.
	Production areas may experience flooding due to heavy rain or water shortages due to drought.	<p>Production areas may suffer from flooding due to heavy rain, which could increase the capital costs of existing assets, leading to the need for write-offs and early retirement of those assets.</p> <p>We anticipate physical risks including water shortage due to drought.</p>	Long-term	<p>The two factories in Dalang and Huzhen in China regularly maintain the rainwater collection system to ensure that the collection pipelines are in good condition and free from any blockages, so as to reduce the risk of flooding.</p> <p>In addition, we also closely monitor the water supply.</p>

Risks Description	Potential Impact on Business Model and Value Chain	Impact Level – Short-term, Mid-term and Long-term	Responses and Initiatives – Risks and Opportunities	
Chronic Physical Risks	Shortage of nature resource	Local government power limiting measures or large-scale power outages affect production capacity and supply chain, which may result in reduced revenue.	Long-term	Both Mainland China factories are equipped with backup generators to support daily operations and production.

The Company is currently in the early stages of developing the internal data integration capabilities, specialized modeling tools, and experience with external scenario parameters necessary for climate-related scenario analysis. Accordingly, it does not yet have the capability to perform a comprehensive and financially material climate-related scenario analysis of the associated risks and opportunities, making it difficult to predict the financial impact of climate-related transition and physical risks, and opportunities. We will closely monitor regulatory changes and build internal capabilities to minimize the adverse effects of these risks.

**Metrics and Targets**

The Company considers that cross-industry metrics and industry-based metrics are not applicable as they are too broad in scope and the required data is scattered across numerous suppliers and customers, making it difficult to accurately obtain and verify.

In order to effectively implement continuous improvement plans and the sustainable development and climate change strategy across the Company in a sustainable manner, a sustainability program has been established. Based on the identification and assessment of climate-related risks and opportunities, the Company focused on analyzing their potential impact on assets and business activities to clarify climate management priorities. During the year, the Company’s capital expenditures for addressing climate-related risks and opportunities were minimal.

Under the sustainability program, our greenhouse gas (GHG) emission reduction targets in 2026 are to reduce total intensity for GHG emissions per unit of revenue by 1% year-on-year. The ESG Committee will also conduct an annual review of the rationality, feasibility, and progress of climate goals, and dynamically optimize the goal system and implementation path in light of policy changes, industry trends, and business development dynamics to ensure that climate goals are deeply integrated with the Group’s sustainable development strategy.

**EMPLOYEES**

Our business is labour-intensive and we always strive to achieve superb product quality. We believe that employees are one of our most valued assets and motivated workforce could play a vital role in sustaining competitive advantage and providing the best service experience to our customers. We trust and respect our employees, and have established a clear remuneration and welfare policy based on the principles of equal opportunity and anti-discrimination which complies with or even exceed the minimum statutory requirements in the PRC and Hong Kong, including the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), the “Provisions on the Prohibition of Using Child Labour” (《禁止使用童工規定》) promulgated by the State Council and the “Employment Ordinance” in Hong Kong.

Also, we provide social insurance for our employees in the PRC, including basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance, in accordance with the “Regulation on Work-Related Injury Insurance” (《工傷保險條例》), “Regulations on Unemployment Insurance” (《失業保險條例》), “Pilot Measures for Childbirth Insurance for Enterprise Employees” (《企業職工生育保險試行辦法》) of the PRC.

### **Anti-Discrimination Policies**

The Group has adopted the principles of equal opportunity and anti-discrimination when formulating our recruitment, remuneration, training, promotion, termination and retirement policies and practices, while discrimination on the grounds of race, nationality, social class, religion, disability, age, gender, sexual orientation and marital status is not allowed.

In addition, we do not hinder the employees from observing their beliefs and customs, and we protect their basic human rights, for the purpose of fair and equal treatment. We have also undertaken a zero-tolerance policy towards physical, psychological or verbal harassment, intimidation, torture, insult, discrimination and exploitation at workplaces, dormitories and other facilities.

Moreover, the Group has established a grievance and complaint mechanism, allowing its employees to lodge complaints with the labour representative or a senior representative directly in the event that discrimination is found. A thorough investigation will be conducted by a designated person who does not have any conflicts of interest and remedial measures will be taken accordingly.

### **Prohibition on Employment of Child and Forced Labour**

We formulated the internal Social Responsibility Manual, which strictly prohibited the employment of child and forced labour. All of our employees are subject to the minimum working age requirement stated under relevant regulations of the PRC and Hong Kong and the requirements under the social responsibility standard SA8000. Any violation in related regulations will be subject to provisions of our factory. For recruitment in our PRC companies, effective measures are adopted to identify the real age of workers. Candidates are strictly forbidden to provide false documents on age, ensuring that our employees are at least 16 years old at the time of employment. Such requirements regarding the prohibition on child and forced labour are also applied to our suppliers and subcontractors.

In addition, we also prohibit any behaviour that restricts labour freedom, such as seizure of identity documents, collecting deposits or collateral, deducting workers' wages, using surveillance or monitoring devices, forced body searches, restricting workers' access to factories, and forced overtime.

Once child labour is found in Group's factories in Mainland China, the Group will immediately terminate his/her work, and designate a dedicated personnel to arrange for a physical check and notify the local labour bureau after ascertaining the reasons. If the child labour is healthy, a dedicated personnel will be arranged to send him/her back to his/her parents with the approval by the labour bureau at the expense of the Company. If treatment is required, the Company shall bear all costs until his/her recovery; where necessary, the Company will provide appropriate financial assistance and other resources to ensure that the child labour completes the compulsory education.

In 2025, the Company was not aware of any material breaches of employment and labour conventional laws and regulations related to compensation and termination, recruitment and promotion, working hours, resting time, equal opportunities, diversity, anti-discrimination and other benefits and welfares in terms of employing staff.

### **Continuously Improving the Working and Living Environment for the Staff**

The Group continues to improve the working and living environment for the staff in the PRC by providing a wide range of recreational facilities, including sports grounds, large football pitches, basketball courts, table tennis courts, badminton courts, fitness trails, libraries, supermarkets, internet rooms, karaoke rooms and movie studios.

In addition, we respect and protect labour rights on freedom of association. Our PRC companies have established labour associations and committees to promote corporate culture to safeguard labour rights. Such associations and committees organise various cultural and sports activities with a view to strengthening the interaction and communication among employees.

In 2025, relevant employee activities include distributing the food to the company's trade union members by Dongguan Trade Union during the Chinese New Year; organizing the 6S award ceremony; participating in the banquet at the Liantangtou Village and distributing red pockets to retired employees; organizing gatherings, cultural performances, lucky draws, and employee recognition events; organizing relevant activities for advanced units and outstanding employees; conducting fire evacuation drills, environmental emergency response drills, ammonia leak drills, and hazardous chemical spill drills; organizing gatherings and small games for retired military personnel; organizing anti-fraud seminar for employees; inviting the Dalang Women's Federation and Xinmalian Village Committee to organize tufting activity for our female employees; encouraging employees to participate in the voluntary blood donation activity jointly organized by the Xinmalian Village Committee and the Dongguan Blood Station; conducting national vocational skill level assessments for CNC and the related employees so as to organize nationally recognized vocational skill certificate; and distributing extra meals to employees on the eve of the Winter Solstice.

We also organize a number of volunteer activities including organizing activity to enhance ecological and environmental protection awareness, organizing the activity to protect the water source and clean up garbage at the Liantangtou Reservoir in Dalang; assisting Dongguan Central Blood Station Unit for blood donation activities among our employees in the company; holding an anti-bullying event; organizing to promote the importance of mosquito control among employees; and organizing home visits for the employees of the Company in difficulties.

In order to reinforce the sense of cohesion and team spirit among staff, we have offered various interest classes, including social dance and square dance, to promote the work-life balance of employees.

## HEALTH AND SAFETY

The Group is committed to creating a healthy and safe working environment. On 5 July 2021, Yingtai Precision Manufacturing Technology (Dongguan) Company Limited (“Yingtai”), a subsidiary in Mainland China, has obtained the occupational safety and health management system ISO 45001:2018 certification. We have established a comprehensive labour safety system to assess, avoid and remove all potential hazards at work on a systematic basis in order to achieve the goal of “Zero Accident” and comply with occupational health and safety laws in the PRC and Hong Kong.

In order to reduce the occurrence of accidents, we have formulated operational safety guidelines and manuals, such as fire safety manual and production safety manual, which set out the rules and procedures that must be complied with for prevention of accidents at our production facilities, to ensure that our production facilities meet applicable safety standards and minimise hazards and potential dangers at workplace.

For safety assurance, all production facilities are required to undergo comprehensive tests before commencement of operation, and all operators shall receive trainings before operating equipment. Trainings cover knowledge on dangerous chemicals storage and usage, fire safety, emergency medical and evacuation drills, occupational disease prevention, dangerous work education and emergency medical manuals.

In addition, the Group has appointed a senior management representative to be responsible for ensuring that the Group creates a safe working environment for all employees and fulfills the requirements set by the authorities. In particular, our companies in the PRC also set up a safety committee to monitor the overall performance of their safety system, conduct safety production inspections and convene safety production meetings periodically, supervise the safety management scheme regularly, and liaise with authorised units in the PRC in checking equipment and inspecting working environment, so as to ensure compliance with the relevant safety requirements of laws and regulations. In the event of work injury accident, the safety committee will conduct an in-depth investigation and hold meetings, compile a review report and give recommendations on the causes of the accident and effectiveness of rectification and preventive measures, and maintain written records of the work injury accident.

### Preemptive Protection

We provide appropriate and effective personal protective gears for employees engaging in high-risk work, place safety warning signs at factory premises, and carry out regular health checks and provide work-related injury insurance for them in accordance with the requirements of relevant laws and regulations.

Moreover, our PRC companies have established systems to detect, prevent or deal with potential hazards to health and safety of our employees, especially pregnant women, and appropriate measures are taken to eliminate the risks to their health and safety.

During the year, there were no material or prolonged production disruptions at our plants in the PRC as a result of the malfunction of the production facilities, and no major accidents occurred during our production processes.

## DEVELOPMENT AND TRAINING

The Group believes that in order to maintain our competitiveness, we should focus on nurturing talents. We have established a training system in order to provide each employee with equal training opportunity for self-improvement and development of personal potential while promoting our business development.

Our products require sophistication and precision, therefore we have higher expectation on the skill of our staff. Our PRC companies have set up training centres to continuously review the training needs of the employees, organise training courses, supervise the training programs of different departments and conduct evaluation.

In addition, the Group provides induction training for every new employees, including company introduction and corporate culture, rules and regulations and daily codes of conduct, basic knowledge of ISO 9000, knowledge of occupational health and safety, basic knowledge of RoHS and REACH, professional ethics and confidentiality obligations, social responsibility standards under SA8000 and basic knowledge of 6S management and so on.

On the other hand, the Group establishes a year-round training programme every year with different training themes. This covers various fields and is carried out at three levels, namely the company level, plant level and departmental level, to reinforce and update the employees' knowledge and professional skills.

The training themes for 2025 include information security management; radiation safety and protection training; electrical and electronic product pollution control; compliance requirement for management; hazardous chemical safety training for production management staff; first aid training; annual training for primary safety responsible persons or safety managers; and safety training for Factory B.

We also constantly review the training needs of our employees to design appropriate talent development and training programmes, and conduct trainings by ourselves, assign personnel for external trainings or arrange in-house trainings by hiring mentors.

Moreover, we hold seminars and workshops on a regular basis and subsidises our employees of all ranks for taking work-related courses.

## CUSTOMERS, SUPPLIERS AND OTHER BUSINESS PARTNERS

### Supply Chain Management

The Group believes that sound supply chain management and good procurement management are vital to the Group's sustainable operations, and a sustainable supply chain can benefit all stakeholders, including customers and suppliers, the Group itself, and even the industry as a whole. We manage our supply chain in a socially and environmentally responsible manner and procure from approved suppliers who meet the CSR requirements.

We recognise that extreme events can delay the supply of materials and given the nature of some of our major production activities, it may also pose social and environmental risks. In order to mitigate the risks to which the Group and its customers are exposed, we have a comprehensive supply chain management system in place to monitor the suppliers' quality and their sustainability performance to eliminate the potential disruptions that might impair the effectiveness of our supply chain.

The Group has established a stringent internal control system and implemented a quality management procedure to monitor the quality of suppliers, so as to reduce potential risks, including those relating to the environment and society. We have comprehensively adopted and carried out the most widely recognised quality management system – ISO 9001. In 2008, 2010 and 2017, the Group was awarded ISO 9001:2000 certification, ISO 9001:2008 certification and ISO 9001:2015 certification respectively in recognition of our established quality management system.

The Group has established a process for external supply of products and services and an external supplier management procedure in respect of assessing and selecting suppliers. It is prudent in reviewing new suppliers by adopting methods such as samples tests, questionnaire survey and on-site audit, and has formulated a set of suppliers' guidelines with respect to confidentiality, intellectual property, environmental protection, quality management, social responsibility, anti-corruption and anti-bribery and so on. The Group's procurement standards not only depend on the price, quality, delivery capability and reputation of suppliers, but also take into account their integrity, social and environmental responsibility.

We also require suppliers to sign a supplier code of conduct agreement, indicating their clear understanding of the content of the code and their compliance with the provisions of environmental protection, quality safety and confidentiality, and declaring whether there is a conflict of interest.

In addition, the Group strictly stipulates that all the raw materials or products provided by the suppliers should comply with the requirements of the European and US environmental ordinances and regulations on the use of hazardous substances, including the EU Amendment to Nickel Release Standards EN 1811, the European Union's Directive RoHS (Restriction on the Use of Certain Hazardous Substances), the requirements about the restriction on the use of toxic and hazardous substances provided under REACH (the EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), and the requirements about the protection of drinking water resources from carcinogenic and harmful chemical pollutions provided under CP65 (California's Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986, California, USA) to mitigate relevant risks of non-compliance. In this regard, we have requested suppliers to provide materials safety data sheets (MSDS) to verify that the products provided by the suppliers meet the safety standards set by the Group.

In order to give suppliers clearer guidelines, we have also prepared a list of hazardous substances test items, and required the suppliers to provide the related test reports, such as the report on the hazardous chemical test (including RoHS and REACH) from a third-party testing entity and the report on EN 1811 nickel release test from a third-party testing entity in respect of different product categories on a quarterly basis, to certify that the products and accessories supplied meet the requirements of regulations on management of hazardous chemicals and the testing standard of nickel release.

Meanwhile, certain suppliers are required to sign the agreements on Conflict Minerals, i.e., tungsten, tin, tantalum and gold (collectively, known as 3T1G), to ensure that the metals in such raw materials are not from the conflict regions controlled by the armed forces in the Democratic Republic of Congo and its neighbouring countries. In addition, should the Conflict Minerals Importers, Smelters and Refiners exceed their thresholds on annual import volume, we will conduct compulsory due diligence to ensure that minerals are from non-conflict regions in line with EU and USA requirements.

In addition, the Group will evaluate the performance of each supplier every half year in respect of their quality, delivery time, service and price, formulate an annual supplier evaluation schedule and require suppliers to monitor and manage secondary and tertiary suppliers.

The Group also formulates training programme to inform the Company's staff of relevant management system of chemical substances, and provides guidance and trainings to suppliers at least once a year on a regular basis.

To ensure superior quality of the final products, the Group shall have a sustainable supply chain and, on the basis of mutual trust, build a long-term relationship with its suppliers to achieve the aforesaid targets. All procurement shall be carried out under a fair, objective and professional standard.

### **Product Liability**

The Group is committed to ensuring its product safety in compliance with regulations in relation to the health and safety standards and regulatory tests.

The Group's two factories in Dalang and Huzhen in Mainland China have adopted the ISO 9001 quality management system. Winox Watch Manufactory (Dongguan) Limited and Yingtai gained certification in 2008 and 2020, respectively. To ensure effective implementation of relevant systems and product quality, the Group's quality assurance department in Dalang and quality management department in Huzhen would coordinate and implement internal audits each year to ensure effective implementation and continuous improvement of relevant systems.

The principle responsibilities of the quality management department are to develop and implement systematic quality management policies and standard operation protocol for the Group's operation procedures, monitor the compliance with the quality management policies and procedures by different departments of the Group, and conduct internal audit to identify aspects to be improved.

Apart from various quality inspections and tests during the manufacturing process, we have set up a comprehensive audit framework to carry out periodic review on our suppliers and their upstream suppliers by on-site inspections at their factories including sampling, so as to monitor their quality management. Suppliers are required to carry out rectification within a given time frame for any non-compliance. In case of continuous failures to meet the required standards, such supplier would be disqualified. During the year ended 31 December 2025, no suppliers were removed due to their negative impact on the environment.

In addition, we would require our suppliers to implement effective quality management systems (such as ISO 9001) to optimise the quality management systems by maintaining and continuously improving relevant management systems. Immediate notice must be given in case of changes in the certification status of their quality management systems. For suppliers that have not set up the quality management system with international standards, they are required to draw up a timetable to establish such quality management systems for the purpose of complying with the requirements of laws and regulations.

In case of quality incidents, all relevant departments of the Group will form a product recall team to be responsible for the recall. A recall announcement will be despatched to customers by our business department within 24 hours and the recalled products will be treated as defective products.

For the year ended 31 December 2025, none of the products sold or shipped shall be recalled for safety and health reasons. There were no complaints in relation to product recall.

We will handle customer complaints and the causes of these issues from three aspects, namely the complaints themselves, technical problems related to the complaints and management problems. Corrective and preventive measures will be implemented actively to prevent the recurrence of these issues, and continuous communication will be maintained with our customers for prompt response to their complaints.

In 2025, the Group was not aware of any event in relation to the health and safety, advertising, labelling, privacy matters relating to the products and services provided and methods of redress which is not in compliance with relevant laws and regulations that have a significant impact on the Group.

### Intellectual Property Rights Management

For intellectual property rights management, the Group strictly abides by relevant laws and regulations such as the “Patent Law of the People’s Republic of China” (《中華人民共和國專利法》), the “Copyright Law of the People’s Republic of China” (《中華人民共和國著作權法》), the “Anti-unfair Competition Law of the People’s Republic of China” (《中華人民共和國反不正當競爭法》), the “Standards for Corporate Intellectual Property Rights Management” (《企業知識產權管理規範》), the “Guideline on Intellectual Property Rights Management by Industrial Enterprises” (《工業企業知識產權管理指南》) and the “Working Measures for Outbound Transfer of Intellectual Property Rights (for Trial Implementation)” (《知識產權對外轉讓有關工作辦法(試行)》), and continues to promote the development and refinement of the Group’s relevant standards and systems.

In January 2018, the Group launched the campaign for “intellectual property rights standardization”. In January 2019, its Dalang factory (except Yingtai) and Huzhen factory managed to obtain the GB/T29490:2013 certification under the Management Standards for Corporate Intellectual Property Rights Management, an intellectual property rights management system. Yingtai successfully obtained its certification on 22 December 2021. Through certification, a set of systematic and complete intellectual property rights management models has been established to strengthen the creation, application, management and protection of intellectual property rights, and to carry out more standardised management in research and development, production and confidentiality, so as to enhance our protection measures for the intellectual property rights of our customers. All staff are required to sign confidentiality agreements in accordance with the requirements of customers.

In addition, the Group has formulated policies in relation to the management of intellectual property rights to govern the information technology management within the Group. The IT department is responsible for obtaining appropriate licenses for software, hardware and materials used by the Group in its business operation. Copying or downloading of materials, software and images from the internet requires approval from relevant departments.

### Protection of Data Privacy

The Group collects information from various stakeholders, such as suppliers, for different purposes and takes appropriate procedures to ensure that the information collected are solely for lawful and relevant purposes. It also strictly complies with the relevant laws and regulations in relation to the handling of sensitive information.

In addition, the Group acts cautiously when handling proprietary information, such as business confidential information, clients’ information and suppliers’ information. The Group requires its employees to keep all business information accessed confidential during their employment and to sign confidentiality agreements.

During the year, the Group did not identify any matters in respect of material breaches of relevant laws and regulations that have a significant impact on the Group.

## ANTI-CORRUPTION POLICY

The Group is committed to maintaining the highest standard of corporate governance, morality and integrity in all aspects. We have established a sound internal control system in order to prevent fraud and corruption from occurring, complied with the code of business conduct under the laws in Hong Kong and other regions and countries, such as the “Prevention of Bribery Ordinance” in Hong Kong and the relevant anti-corruption laws of the PRC, and prohibited any senior officers, employees and suppliers of the Group from giving or offering to give money or anything of value to government officials, parties or organisations.

The Group also arranges regular anti-corruption and internal control trainings for its staff to enhance their knowledge and understanding of the code of conduct.

In 2025, as part of our continuing professional development programme, we organised anti-corruption courses at our factories in Mainland China, for example, training on integrity and honesty. In addition, we also provided our Directors with anti-corruption trainings, covering the “Anti-Corruption Programme – A Guide for Listed Companies” of the Independent Commission Against Corruption of the Hong Kong Special Administrative Region, to meet the requirements set out in the ESG Guide for Directors and relevant staff.

### **Encouraging Reports on Irregularities**

The Group aims to create and maintain an environment where employees can act appropriately, without fear of retaliation, thereby fulfilling our pledges and maintaining our integrity and high ethical standards. We conduct business based on principles of fairness, honesty, openness, decency, integrity and respect. We have set up a whistleblowing policy to support and encourage our employees to report and disclose any improper or illegal activities such as fraud, corruption or violation in confidence. A full investigation would be conducted on such reports and disclosures to eradicate the occurrence of violations including corruption.

We also address any complaints that alleged acts or attempted acts of interference, reprisal, retaliation, threats, coercion or intimidation against the employees who reported and disclosed improper or illegal activities, so as to protect those who come forward to report such activities. Our internal audit department conducts internal control review to ensure the effectiveness of the system.

### **Clear Guidelines for Employees**

The Group has adopted internal guidelines for employees with regard to the areas of conflicts of interest, corruption and internal management, and clearly informed all the employees of the Group’s anti-corruption policies under which the employees are required to comply with relevant codes and content.

In 2025, the Company was not aware of any matters concerning material breaches of laws and regulations regarding bribery, extortion, fraud or money laundering by its employees in the countries where they are engaged. Besides, there are no current or pending regulatory actions or other litigations that are anticipated to have a significant impact on the Group.

## **CARE FOR COMMUNITY**

As a responsible corporate citizen, the Group shows active concerns for society and the community, and encourages our employees to actively participate in different volunteer activities to care for the underprivileged, with the aim of contributing to society and the community.

The Group, as a member of the Dongguan City Association of Enterprises with Foreign Investment, Guangdong Province, and one of the major renowned enterprises in Dalang Town, enthusiastically participates in all kinds of charitable fund-raising campaigns every year.

### **Spirit of Mutual Support and Care**

We endeavour to advocate mutual support and care by organising various voluntary activities and encouraging our employees to participate in volunteer services, including voluntary service activities with the theme of “Green Travel and Waste Collection for Environmental Protection” to enhance environmental and ecological awareness. Employees of our PRC companies visit the elderly at Xinmalian Village, Dalang Town, Dongguan City during the Chinese New Year every year, to spread love and care to the community in this joyful traditional festive season.

## ENVIRONMENTAL PERFORMANCE DATA

The following table presents the Company's environmental performance data during the reporting period:

Aspects	2025	2024	Change Percentage (%)
<b>Environmental</b>			
<b>Greenhouse Gas Emission</b>			
Direct emissions (Scope 1) <sup>1</sup>	88 tCO <sub>2</sub> e	157 tCO <sub>2</sub> e	-43.9%
GHG emissions reduction (Scope 1) <sup>1&amp;3</sup>	1,793 tCO <sub>2</sub> e	1,804 tCO <sub>2</sub> e	-0.6%
Energy indirect emissions (Scope 2) <sup>1</sup>	11,919 tCO <sub>2</sub> e	15,043 tCO <sub>2</sub> e	-20.8%
GHG emissions intensity for Scope 1 and Scope 2 <sup>2</sup>	0.0192	0.0197	-2.5%
Scope 3 <sup>4</sup>	165 tCO <sub>2</sub> e	N/A	N/A
Scope 3 – Category 5 Waste Generated in Operations <sup>5</sup>	158 tCO <sub>2</sub> e	N/A	N/A
Scope 3 – Category 6 Business Travel <sup>6</sup>	7.05 tCO <sub>2</sub> e	N/A	N/A
GHG emissions intensity for Scope 1, Scope 2 and Scope 3 <sup>2</sup>	0.0228	N/A	N/A
<b>Emissions</b>			
KPI A1.3 Hazardous waste	93,983 kg	122,202 kg	-23.1%
Hazardous waste intensity <sup>2</sup>	0.1762kg/HKD'000	0.1793 kg/HKD'000	-1.7%
KPI A1.4 Non-hazardous waste	158,250 kg	200,720 kg	-21.2%
Non-hazardous waste intensity <sup>2</sup>	0.2967kg/HKD'000	0.2944 kg/HKD'000	0.8%
<b>Use of Resources</b>			
KPI A2.1 Electricity consumption	19,536,503 kWh	24,656,744 kWh	-20.8%
Intensity of electricity consumption <sup>2</sup>	36.6305 kWh/HKD'000	36.1707 kWh/HKD'000	1.3%
KPI A2.2 Water consumption	109,533 tonnes	191,876 tonnes	-42.9% <sup>7</sup>
Intensity of water consumption <sup>2</sup>	0.2054 tonnes/HKD'000	0.2815 tonnes/HKD'000	-27.0%
KPI A2.5 Total packaging material	78,218 kg	107,234 kg	-27.1%
Intensity of packaging material <sup>2</sup>	0.1467 kg/HKD'000	0.1573 kg/HKD'000	-6.7%

Notes:

1. Calculated based on the emission factors in the user guide composed by The Hong Kong University of Science and Technology (HKUST) in partnership with the Green and Sustainable Finance Cross-Agency Steering Group (CASG).
2. Calculated on the basis of the turnover of the Group for the year ended 31 December 2025 amounting to HK\$533,340,000 which represents a decrease of 21.8% as compared to last year (2024: HK\$681,678,000).
3. Calculated based on the National Emission Factors for Mainland China provided by the Ministry of Ecology and Environment of People's Republic of China (2019).
4. Scope 3 categories were covered to the extent that are relevant to the Group and that data is available. The disclosed two categories of Scope 3 emissions which are relevant to its corporate operations. This table excludes Scope 3 Categories 1 to 4, and Categories 7 to 12 emissions as they are not relevant to the Group due to its business nature or the data is not available.
5. Scope 3 Category 5 waste generated in operations: represents indirect emission from third-party disposal and treatment of non-hazardous waste generated in our operations. Emission factors are referenced from the 2025 GHG Emission Factors Hub published by the United States Environmental Protection Agency.
6. Scope 3 Category 6 emissions: represents emissions relating to the Group's directors and employees traveling for business including commercial air and rail travel. Business travel emissions are calculated based on distance travelled for commercial air and rail travel. Emission factors are referenced from 2022 Guidelines to DEFRA in UK/DECC's GHG Conversion Factors.
7. One of the main reasons for the significant decrease in water consumption is that the two factories have implemented effective wastewater control measures, including recycling and reusing wastewater, leading to a reduction in water consumption.

## SOCIAL PERFORMANCE DATA

The following table presents the Company's social performance data during the reporting period:

Employment (KPI B1.1)		
Indicators	2025	2024
<b>Total number of employees</b>	<b>1,800</b>	<b>2,429</b>
By gender		
Male	918	1,297
Female	882	1,132
By age group		
Below 30	207	389
30 to 50	1,391	1,764
Over 50	202	276
By employee category		
Senior	82	89
Middle-level	271	292
General	1,447	2,048
By region		
Hong Kong	29	27
Mainland China	1,771	2,402
By employment contract and gender		
Permanent (male)	905	1,251
Permanent (female)	895	1,178

Note: Total number of employees was calculated based on the average number of each month for the whole year.

Employee turnover (KPI B1.2)				
Indicators	2025		2024	
<b>Number and rate (%) of employee turnover</b>	<b>820</b>	<b>3.80%</b>	<b>528</b>	<b>1.81%</b>
By gender				
Male	505	4.58%	311	2.00%
Female	315	2.98%	217	1.60%
By age group				
Below 30	236	9.50%	171	3.66%
30 to 50	357	2.14%	314	1.48%
Over 50	227	9.36%	43	1.30%
By region				
Hong Kong	2	0.57%	1	0.31%
Mainland China	818	3.85%	527	1.83%

### Health and Safety (KPI B2.1) In the past 3 years

Number and rate (%) of work-related fatalities in the past 3 years 0

### Health and Safety (KPI B2.2) 2025      2024

Lost days due to work injury 501      476

Training and Development (KPI B3.1 and B3.2)	2025	2024
Total cost of training (RMB)	32,581	30,333
Total training hours completed by employees	5,948	10,128
<b>Percentage of employees who received training</b>		
By gender		
Male	58.4%	62.9%
Female	41.6%	37.1%
By employee category		
Senior	11.3%	9.3%
Middle-level	32.6%	21.0%
General	56.1%	69.7%
Average training hours completed per employee	15	10
By gender		
Male	16	10
Female	14	11
By employee category		
Senior	15	12
Middle-level	11	11
General	18	10

Supply Chain Management (KPI B5.1)	2025	2024
<b>Product Responsibility (KPI B6.1)</b>		
<b>Number of key suppliers</b>	<b>19</b>	<b>33</b>
By region		
Asia	1	1
Europe	0	0
Hong Kong	1	2
Mainland China	17	30

Note: Key suppliers refer to suppliers of products and/or services to the Group with a contract sum exceeding HK\$2,000,000 (or RMB2,000,000).

Product Responsibility (KPI B6.1)	2025	2024
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0	0
<b>Anti-corruption (KPI B7.1)</b>	<b>2025</b>	<b>2024</b>
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	0	0

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Subject areas and aspects	Key performance indicators of the Stock Exchange	Description	Page
<b>A. Environmental</b>			
Aspect A1: Emissions	General disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Pages 7 to 10
	KPI A1.1	The types of emissions and respective emissions data.	The Group's business operations do not have a significant impact on the environment with respect to exhaust emissions. Please refer to Pages 7 to 8 for the air pollution control measures of the Group.
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Please refer to the Environmental Performance Data table
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Please refer to the Environmental Performance Data table
	KPI A1.5	Description of the emission target(s) set and steps taken to achieve them.	Pages 7 to 10
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of the waste reduction target(s) set and steps taken to achieve them.	Page 9

Subject areas and aspects	Key performance indicators of the Stock Exchange	Description	Page
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 8
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Please refer to the Environmental Performance Data table
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Please refer to the Environmental Performance Data table
	KPI A2.3	Description of the energy use efficiency target(s) set and steps taken to achieve them.	Pages 7 to 10
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Page 8
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Please refer to the Environmental Performance Data table
A3: The environment and natural resources	General disclosure A3	Policies on minimising the issuer's significant impact on the environment and natural resources.	Pages 7 to 10
	KPI A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	Pages 7 to 10

Subject areas and aspects	Key performance indicators of the Stock Exchange	Description	Page
<b>B. Social Employment and labour practices</b>			
B1: Employment	General disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 16
	KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Page 24
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Page 24
B2: Health and safety	General disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 18
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 24
	KPI B2.2	Lost days due to work injury.	Page 24
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Page 18

Subject areas and aspects	Key performance indicators of the Stock Exchange	Description	Page
B3: Development and training	General disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Pages 18 to 19
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 25
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 25
B4: Labour standards	General disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 17
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 17
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 17

Subject areas and aspects	Key performance indicators of the Stock Exchange	Description	Page
<b>Operating practices</b>			
B5: Supply chain management	General disclosure B5	Policies on managing environmental and social risks of the supply chain.	Pages 19 to 20
	KPI B5.1	Number of suppliers by geographical region.	Page 25
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Pages 19 to 20
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Pages 19 to 20
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Pages 19 to 20
B6: Product responsibility	General disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Pages 20 to 21
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 25
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Page 20
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 21
	KPI B6.4	Description of quality assurance process and recall procedures.	Page 21
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Page 21

Subject areas and aspects	Key performance indicators of the Stock Exchange	Description	Page
B7: Anti-corruption	General disclosure B7	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Pages 21 to 22
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Page 25
	KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Page 22
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Page 22
<b>Community</b> B8: Community investment	General disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities having taken into consideration the communities' interests.	Page 22
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 22
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 22

## INDEX FOR CLIMATE-RELATED DISCLOSURES UNDER PART D OF APPENDIX C2 TO THE LISTING RULES

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
<b>(I) Governance</b>	
19. An issuer shall disclose information about:	
<ul style="list-style-type: none"> <li>(a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of <b>climate related risks and opportunities</b>. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:                             <ul style="list-style-type: none"> <li>(i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to <b>climate-related risks and opportunities</b>;</li> <li>(ii) how and how often the body(s) or individual(s) is informed about <b>climate related risks and opportunities</b>;</li> <li>(iii) how the body(s) or individual(s) takes into account <b>climate-related risks and opportunities</b> when overseeing the issuer’s strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;</li> <li>(iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to <b>climate-related risks and opportunities</b> (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and</li> </ul> </li> <li>(b) management’s role in the governance processes, controls and procedures used to monitor, manage and oversee <b>climate-related risks and opportunities</b>, including information about:                             <ul style="list-style-type: none"> <li>(i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and</li> <li>(ii) whether management uses controls and procedures to support the oversight of <b>climate-related risks and opportunities</b> and, if so, how these controls and procedures are integrated with other internal functions.</li> </ul> </li> </ul>	Pages 10 to 12
<p><i>Note: The responsibilities of such body(s) or individual(s) should be reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s).</i></p>	
<p><i>Note: In preparing disclosures to fulfil the requirements in this paragraph 19, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraph 13. For example, although an issuer shall provide the information required by this paragraph 19, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each ESG-related risk and opportunity.</i></p>	

**(II) Strategy****Climate-related risks and opportunities**

20. An issuer shall disclose information to enable an understanding of **climate-related risks and opportunities** that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:
- (a) describe **climate-related risks and opportunities** that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term;
- (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a **climate-related physical risk** or **climate-related transition risk**;
- (c) specify, for each **climate-related risk and opportunity** the issuer has identified, over which time horizons – short, medium or long term – the effects of each **climate-related risk and opportunity** could reasonably be expected to occur; and
- (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.

Pages 11 to 16

**Notes:**

1. In identifying the **climate-related risks and opportunities** pursuant to paragraph 20, an issuer:
- (a) shall use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions; and
- (b) is encouraged to refer to and consider the applicability of the industry-based **disclosure topics** defined in IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures.
2. (a) If an issuer determines that disclosing information about a climate-related opportunity pursuant to any provision under this Part D is commercially sensitive in the limited circumstances set out in this note 2(b) below, the issuer is permitted to omit disclosure of such information.
- (b) An issuer qualifies for the exemption specified in this note 2(a) above if, and only if:
- (i) information about the climate-related opportunity is not already publicly available;
- (ii) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the issuer would otherwise be able to realise in pursuing the opportunity; and
- (iii) the issuer has determined that it is impossible to disclose that information in a manner – for example, at an aggregated level – that would enable the issuer to meet the objectives of the disclosure requirement without prejudicing seriously the economic benefits the issuer would otherwise be able to realise in pursuing the opportunity.

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
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- (c) *If an issuer elects to use the exemption specified in this note 2(a) above, the issuer shall, for each item of information omitted:*
- (i) *disclose the fact that it has used the exemption; and*
  - (ii) *reassess, at each reporting date, whether the information qualifies for the exemption.*

### Business model and value chain

21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of **climate-related risks and opportunities** on the issuer's **business model** and **value chain**. Specifically, the issuer shall disclose: Pages 13 to 16
- (a) a description of the current and anticipated effects of **climate-related risks and opportunities** on the issuer's **business model** and **value chain**; and
  - (b) a description of where in the issuer's **business model** and **value chain climate related risks and opportunities** are concentrated (for example, geographical areas, facilities and types of assets).

*Note: An issuer shall use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort to determine the scope of its value chain, including its breadth and composition.*

### Strategy and decision-making

22. An issuer shall disclose information that enables an understanding of the effects of **climate-related risks and opportunities** on its strategy and decision-making. Specifically, the issuer shall disclose: Pages 11 to 13
- (a) information about how the issuer has responded to, and plans to respond to, **climate-related risks and opportunities** in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:
    - (i) current and anticipated changes to the issuer's **business model**, including its resource allocation, to address **climate-related risks and opportunities**;
    - (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);
    - (iii) any **climate-related transition plan** the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a **climate-related transition plan**; and
    - (iv) how the issuer plans to achieve any climate-related targets (including any **greenhouse gas** emissions targets (if any)), described in accordance with paragraphs 37 to 40; and
  - (b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	Pages 11 to 12
<b>Financial position, financial performance and cash flows</b>	
<b>Current financial effect</b>	
24. An issuer shall disclose qualitative and quantitative information about: <ul style="list-style-type: none"> <li>(a) how <b>climate-related risks and opportunities</b> have affected its financial position, financial performance and cash flows for the reporting period; and</li> <li>(b) the <b>climate-related risks and opportunities</b> identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.</li> </ul>	Pages 12 to 16
<i>Notes:</i>	
<ol style="list-style-type: none"> <li>1. Issuers should account for climate-related matters in the financial statements in accordance with the requirements under HKFRS, IFRS, CASBE or the alternative overseas financial reporting standard acceptable to the Exchange.</li> <li>2. Where the quantitative information disclosed pursuant to paragraph 24 is not expressed as a line item in the financial statements, the issuer shall explain how such information is reflected in its financial statements (e.g. identifying the relevant financial item).</li> </ol>	
<b>Anticipated financial effect</b>	
25. The issuer shall provide qualitative and quantitative disclosures about: <ul style="list-style-type: none"> <li>(a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage <b>climate-related risks and opportunities</b>, taking into consideration: <ul style="list-style-type: none"> <li>(i) its investment and disposal plans; and</li> <li>(ii) its planned sources of funding to implement its strategy; and</li> </ul> </li> <li>(b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage <b>climate-related risks and opportunities</b>.</li> </ul>	Pages 12 to 16
<i>Notes:</i>	
<ol style="list-style-type: none"> <li>1. In providing quantitative information about current or anticipated financial effects, an issuer may disclose a single amount or a range.</li> <li>2. In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an issuer shall: <ul style="list-style-type: none"> <li>(a) use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort; and</li> <li>(b) use an approach that is commensurate with the skills, capabilities and resources that are available to the issuer for preparing those disclosures.</li> </ul> </li> </ol>	

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
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3. An issuer need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the issuer determines that:
  - (a) those effects are not separately identifiable; or
  - (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.
4. In addition, an issuer need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the issuer does not have the skills, capabilities or resources to provide that quantitative information.
5. If an issuer determines that it need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity applying the criteria set out in note 3 or 4 above, the issuer shall:
  - (a) explain why it has not provided quantitative information;
  - (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that climate-related risk or opportunity; and
  - (c) provide quantitative information about the combined financial effects of that climate related risk or opportunity with other climate-related risks or opportunities and other factors unless the issuer determines that quantitative information about the combined financial effects would not be useful.

**Climate resilience**

26. An issuer shall disclose information that enables an understanding of the resilience of the issuer’s strategy and **business model** to climate-related changes, developments and uncertainties, taking into consideration the issuer’s identified **climate-related risks and opportunities**. An issuer shall use climate-related scenario analysis to assess its **climate resilience** using an approach that is commensurate with an issuer’s circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:
  - (a) the issuer’s assessment of its **climate resilience** as at the reporting date, which shall enable an understanding of:
    - (i) the implications, if any, of the issuer’s assessment for its strategy and **business model**, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;
    - (ii) the significant areas of uncertainty considered in the issuer’s assessment of its **climate resilience**; and
    - (iii) the issuer’s capacity to adjust, or adapt its strategy and **business model** to climate change over the short, medium or long term;

Pages 10 to 16

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
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- (b) how and when the climate-related scenario analysis was carried out, including:
- (i) information about the inputs used, including:
    - (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios;
    - (2) whether the analysis included a diverse range of climate-related scenarios;
    - (3) whether the climate-related scenarios used for the analysis are associated with **climate-related transition risks** or **climate-related physical risks**;
    - (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the **latest international agreement on climate change**;
    - (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;
    - (6) time horizons the issuer used in the analysis; and
    - (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis);
  - (ii) the key assumptions the issuer made in the analysis; and
  - (iii) the reporting period in which the climate-related scenario analysis was carried out.

*Note: An issuer shall determine an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort. The determination of the approach shall be informed by the assessments of the issuer's exposure to **climate-related risks and opportunities** and its available skills, capabilities and resources.*

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
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### **(III) Risk Management**

27. An issuer shall disclose information about: Pages 10 to 16

- (a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:
  - (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);
  - (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;
  - (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);
  - (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;
  - (v) how the issuer monitors climate-related risks; and
  - (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;
- (b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and
- (c) the extent to which, and how, the processes for identifying, assessing, prioritizing and monitoring **climate-related risks and opportunities** are integrated into and inform the issuer's overall risk management process.

*Note: In preparing disclosures to meet the requirements in this paragraph 27, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraphs 13(ii) and 14 (Materiality). For example, although an issuer shall provide the information required by this paragraph 27, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each ESG-related risk and opportunity.*

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
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#### **(IV) Metrics and Targets**

##### **Greenhouse gas emissions**

28. An issuer shall disclose its absolute gross **greenhouse gas** emissions generated during the reporting period, expressed as metric tons of **CO<sub>2</sub> equivalent**, classified as: Page 23
- (a) **Scope 1 greenhouse gas emissions**;
  - (b) **Scope 2 greenhouse gas emissions**; and
  - (c) **Scope 3 greenhouse gas emissions**.
29. An issuer shall: Page 23
- (a) measure its **greenhouse gas** emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring **greenhouse gas** emissions;
  - (b) disclose the approach it uses to measure its **greenhouse gas** emissions including:
    - (i) the measurement approach, inputs and assumptions the issuer uses to measure its **greenhouse gas** emissions;
    - (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its **greenhouse gas** emissions; and
    - (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;
  - (c) for **Scope 2 greenhouse gas emissions** disclosed in accordance with paragraph 28(b), disclose its location-based **Scope 2 greenhouse gas emissions**, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's **Scope 2 greenhouse gas emissions**; and
  - (d) for **Scope 3 greenhouse gas emissions** disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of **Scope 3 greenhouse gas emissions**, in accordance with the **Scope 3 categories** described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

##### *Notes:*

1. *An issuer is required to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort when the issuer selects the measurement approach, inputs and assumptions it uses in measuring **Scope 3 greenhouse gas emissions**.*
2. *An issuer is permitted to measure its **greenhouse gas** emissions in accordance with paragraph 28 using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its **value chain** with reporting periods that are different from the issuer's reporting period, on the condition that:*

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
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- (a) the issuer uses the most recent data available from those entities in its **value chain** without undue cost or effort to measure and disclose its **greenhouse gas** emissions;
  - (b) the length of the reporting periods is the same; and
  - (c) the issuer discloses the effects of significant events and changes in circumstances (relevant to its **greenhouse gas** emissions) that occur between the reporting dates of the entities in its **value chain** and the date of the issuer's ESG report.
3. Where an issuer's activities include asset management, commercial banking or insurance, the issuer is encouraged to disclose additional information about the issuer's Category 15 greenhouse gas emissions or those associated with its investments (**financed emissions**).

**Climate-related transition risks**

30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to **climate-related transition risks**. Pages 12 to 16

**Climate-related physical risks**

31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to **climate-related physical risks**. Pages 12 to 16

**Climate-related opportunities**

32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities. Pages 12 to 16

*Note: In preparing disclosures to meet the requirements in paragraphs 30 to 32, an issuer shall use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort.*

**Capital deployment**

33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards **climate-related risks and opportunities**. Page 16

**Internal carbon prices**

34. An issuer shall disclose:
- (a) an explanation of whether and how the issuer is applying a carbon price in decision making (for example, investment decisions, transfer pricing, and scenario analysis); and
  - (b) the price of each metric tonne of **greenhouse gas** emissions the issuer uses to assess the costs of its **greenhouse gas** emissions;
- or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.
- We currently have not applied an internal carbon price in decision-making.

Climate-related Disclosures under Part D of Appendix C2 to the Listing Rules	Pages
<b>Remuneration</b>	
35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	Page 11
<b>Industry-based metrics</b>	
36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular <b>business models</b> , activities or other common features that characterize participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry based metrics associated with <b>disclosure topics</b> described in the IFRS S2 Industry based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	Page 16
<b>Climate-related targets</b>	
37. An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any <b>greenhouse gas</b> emissions targets. For each target, the issuer shall disclose:	Page 16
<ul style="list-style-type: none"> <li>(a) the metric used to set the target;</li> <li>(b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);</li> <li>(c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);</li> <li>(d) the period over which the target applies;</li> <li>(e) the base period from which progress is measured;</li> <li>(f) milestones or interim targets (if any);</li> <li>(g) if the target is quantitative, whether the target is an absolute target or an intensity target; and</li> <li>(h) how the <b>latest international agreement on climate change</b>, including jurisdictional commitments that arise from that agreement, has informed the target.</li> </ul>	
<p><i>Note: Targets set may or may not be those set out under KPIs A1.5, A1.6, A2.3 and A2.4 of Part C of the ESG Code.</i></p>	

