



龍翼航空科技控股有限公司

MAJESTIC DRAGON AEROTECH HOLDINGS LIMITED

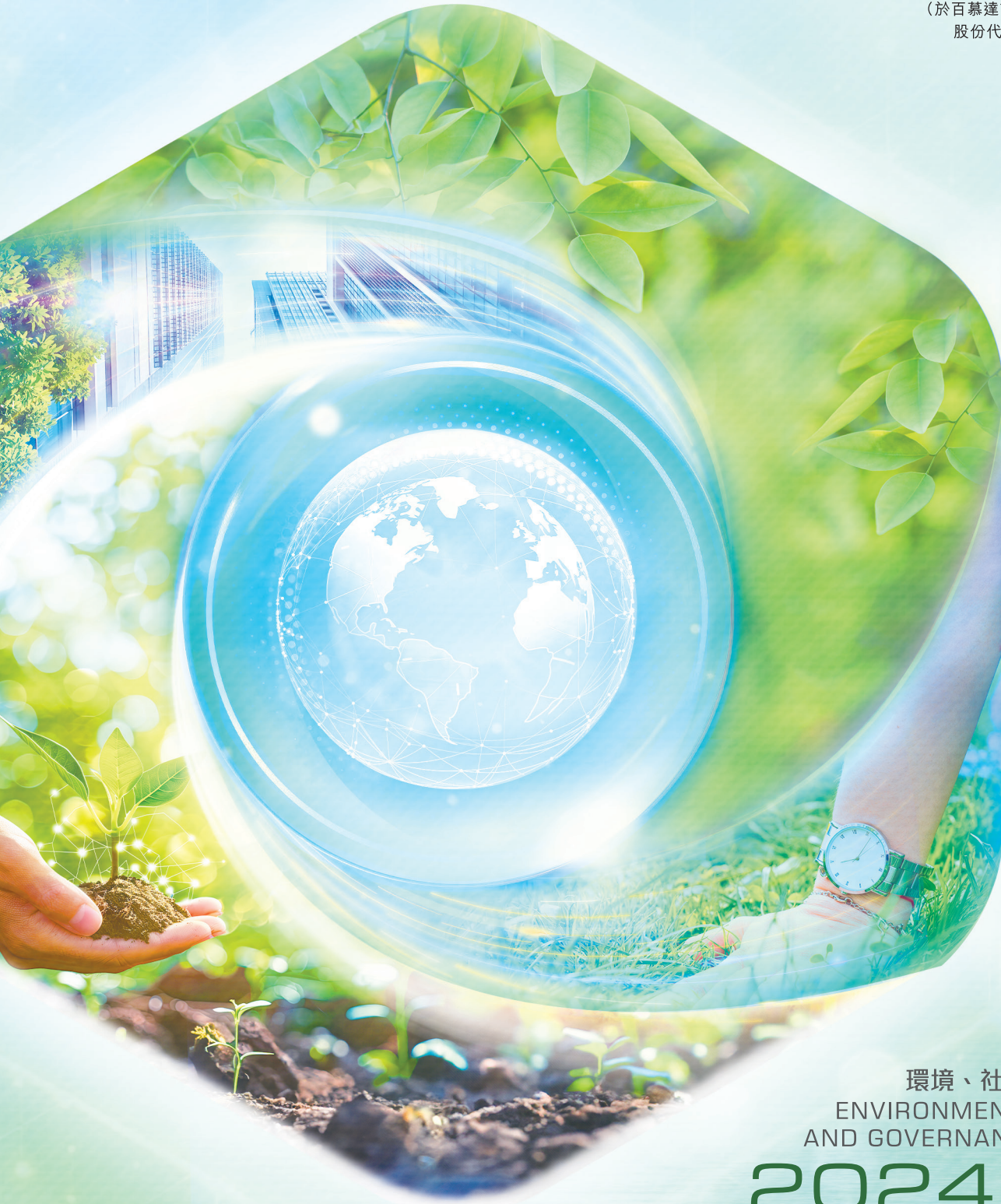
(formerly known as State Energy Group International Assets Holdings Limited)

(前稱國能集團國際資產控股有限公司)

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

股份代號 Stock Code : 918



環境、社會及管治報告
ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

2024/25

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SCOPE AND REPORTING PERIOD

MAJESTIC DRAGON AEROTECH HOLDINGS LIMITED (hereinafter the “**Group**”, or the “**Majestic Dragon**”) is delighted to present the Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”) to provide an overview of the Group’s management of significant issues affecting the operation, policies, measures and performance of the Group in terms of environmental and social aspects.

This Report has been prepared with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has complied with the “comply or explain” provisions set out in the ESG Reporting Guide during the period from 1 April 2024 to 31 March 2025 (the “**Reporting Period**”).

This Report covers the Group’s principal operations in the business of sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products (the “**Garment Business**”), property investment (“**Property Investment Business**”), the sales of unmanned aerial vehicle parts (“**Unmanned Aerial Vehicle Parts Business**”), trading, distribution, and processing of timepieces and accessories (“**Timepieces and Accessories Business**”) in Hong Kong, the People’s Republic of China (“**PRC**”), and Taiwan during the Reporting Period, unless otherwise stated. The subsidiaries included within the scope of this Report are listed below.

- Sinoforce Group Limited
- Unite Smart Limited
- Gold Pine International Holdings Limited
- Takson Garment Manufacturing Company, Limited
- Takson Sportswear Limited
- King Crest Limited
- Gold Wealth Holdings Limited
- Longyi Aviation Technology Co., Ltd

The Report provides both qualitative and quantitative information regarding Majestic Dragon’s approach, initiatives, and priorities in managing material ESG aspects. These details offer insights into how the Group addresses and prioritizes ESG issues in its operations.

For further information related to corporate governance, please refer to the Corporate Governance Report section within this annual report. This section provides additional disclosures and insights into the Group’s corporate governance practices and structures.

SUSTAINABILITY GOVERNANCE

In recent years, sustainability has gained significant importance, driven by global awareness of climate change, human rights, and social justice issues. The Chinese government's goal to reach carbon peak by 2035 and carbon neutrality by 2060, along with Hong Kong's commitment to achieving carbon neutrality before 2050, underscores the urgency of addressing environmental challenges. As a socially responsible company focused on promoting business development and delivering long-term returns for shareholders, the Group has integrated sustainability into its operations and policy framework.

The Board of Directors (the “**Board**”) is tasked with overseeing the Group's overall ESG strategies, measures, and performance, ensuring that these strategies are embedded within business operations. The Board is responsible for identifying and assessing critical business and ESG risks and opportunities. ESG initiatives are implemented by the management team, which ensures effective ESG risk management and a robust internal control system, thereby driving sustainable development. ESG topics and performance are reviewed and evaluated during annual meetings, and the Group is committed to continuously enhancing its ESG performance to support sustainable development.

SUSTAINABILITY APPROACH AND STRATEGY

The Board recognizes the significance of sustainability in the Group's operations and is dedicated to integrating ESG principles into its business strategies. The Group strictly adheres to laws and regulations related to safety, environmental protection, and occupational health and safety. Additionally, the Group remains vigilant regarding legal and regulatory updates to ensure compliance with increasingly stringent regulations.

The Group has established several sustainability-related targets, including waste reduction and air emission reduction goals from the last Reporting Period. Setting these targets not only measures the Group's performance and progress but also facilitates business growth and creates long-term value for stakeholders. The implementation of ESG-related targets is closely monitored through meetings, inspections, and assessments, with progress reviewed at least annually.

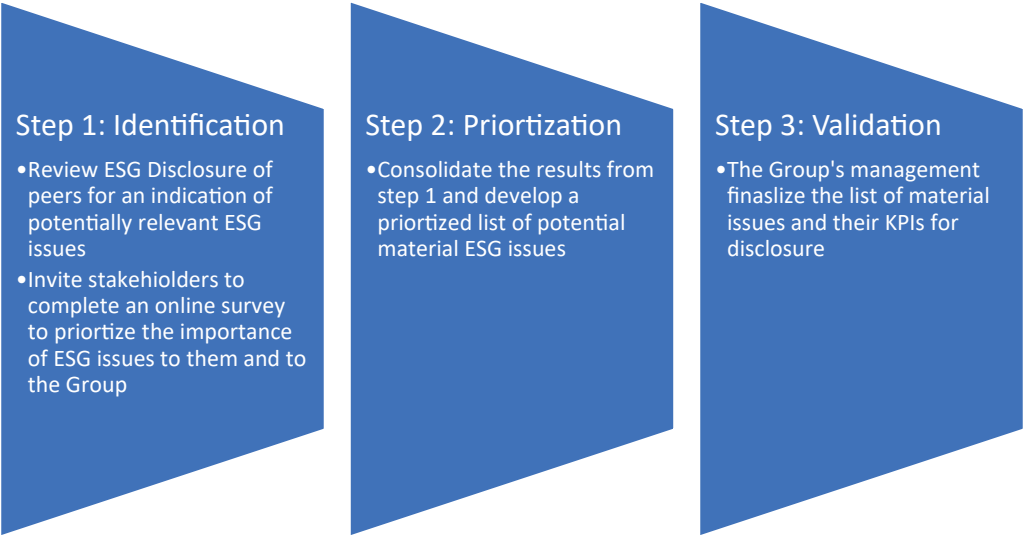
STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group values all insights and opinions from our stakeholders and is committed to responding to their concerns. Through engagement with the stakeholders, the Group is able to improve its performance in sustainable development and take concrete actions. The Group has launched various measures to maintain good communications with stakeholders. Below are the communication channels between the Group and stakeholders and their concerned topics.

Stakeholders	Communication Channel
Shareholders	<ul style="list-style-type: none"> • Shareholders' annual and general meeting • Annual, interim and ESG reports • Circulars and press release • Company's website
Customers	<ul style="list-style-type: none"> • Customer services hotline • Email and telephone • Social media • Direct contact with customers
Suppliers	<ul style="list-style-type: none"> • Supplier review and assessment • Supplier meetings – Email and telephone
Government	<ul style="list-style-type: none"> • General liaison • Seminars and conference
Community	<ul style="list-style-type: none"> • Campaigns and seminars • Website and social media • Press releases and conferences
Internal stakeholders – management and employees	<ul style="list-style-type: none"> • Face-to-face meeting • Survey • Staff activities

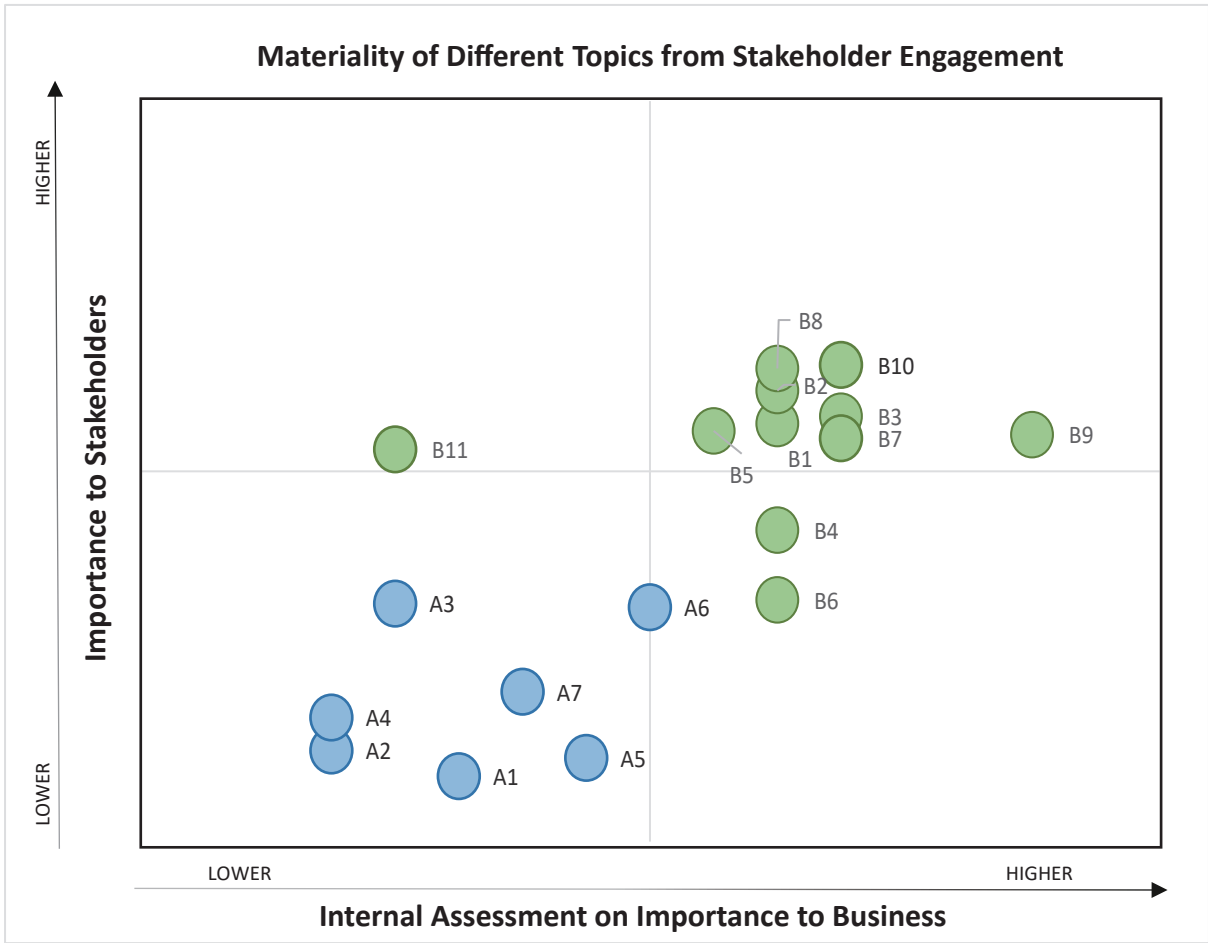
The Board identified material ESG topics and determined their priority based on the results of the materiality assessment. To conduct the materiality assessment, the Group collects views and discusses ESG issues with its internal and external stakeholders through thematic meetings, surveys and regular dialogue. The Group has specifically engaged board members, senior management, frontline staff, suppliers, clients, and third-party consultants to gain further insights on ESG material aspects and challenges. Taking into account both internal and external stakeholders' views, the Group selected the five most important ESG issues related to the Group's business for targeted management and disclosure.

The Group has evaluated the materiality and importance in ESG aspects through the following steps:



MATERIALITY MATRIX

The Materiality Matrix below shows the results of the Group’s materiality assessment process:



A	Environmental	B	Social
1	Energy	1	Employment
2	Water	2	Occupational Health and Safety
3	Air Emission	3	Development and Training
4	Waste and Effluent	4	Labour Standards
5	Other Raw Materials Consumption	5	Supplier Management
6	Environmental Protection Measures	6	Intellectual Property
7	Climate Change	7	Data Protection
		8	Customer Service
		9	Product/Service Quality
		10	Anti-corruption
		11	Community Investment

Among the environmental and social aspects, the following were the top 6 material aspects of the Group's operation:

- Occupational Health and Safety
- Development and Training
- Data Protection
- Customer Service
- Product/Service Quality
- Anti-corruption

Similar to the last reporting period, all material ESG issues are categorized as social issues. These aspects are strictly managed through the Group's established policies and guidelines. Detailed management of these aspects is outlined in the sections below. The Group is committed to maintaining open communication with stakeholders to better understand their expectations and perspectives regarding our ESG approach.

STAKEHOLDERS' FEEDBACK

The Group greatly values the opinions of its stakeholders and encourages readers to reach out through the contact methods provided below. Your feedback will help the Group enhance this Report and improve its overall ESG performance. This Report will be published in both English and Chinese; in the event of any discrepancies between the two versions, the English version shall prevail.

Mail: Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong

Phone: +852 2123 8461

Email: enquiry@mdaerotech.com

A. ENVIRONMENTAL PROTECTION

EMISSION MANAGEMENT

The Group strictly complies with the national and local laws and regulations relating to environmental protection and pollution control, including, but not limited to the following:

- Air Pollution Control Ordinance of Hong Kong
- Waste Disposal Ordinance of Hong Kong
- Air Pollution Prevention and Control Law of the PRC
- Environmental Protection Law of the PRC
- Air Pollution Control Act of Taiwan
- Waste Disposal Act of Taiwan

During the Reporting Period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas (“GHG”) emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

AIR EMISSIONS

During the Reporting Period, the Group’s primary emissions originated from the Unmanned Aerial Vehicle Parts Business, primarily due to the use of private cars, a private van, and one piece of mobile machinery. These vehicles consumed a total of 8,600 litres of petrol and 10,202 litres of diesel, contributing to the Group’s overall air emissions. There was a noticeable increase in air emissions, attributed to the rising demand for freight services. Below is a breakdown of the air emissions:

Air emissions	Annual total (kg)
Sulphur oxides	0.29
Nitrogen oxides	132.10
Particulate matters (PM)	12.62

GREENHOUSE GAS (GHG) EMISSIONS

The Group's operations resulted in emissions of 137.83 tonnes of carbon dioxide equivalent (tCO₂e), which includes carbon dioxide, methane, nitrous oxide, and hydrofluorocarbons. This translates to an emission intensity of 1.30 tonnes per person. Notably, there was a significant increase from the last reporting period, doubling the GHG emission intensity (tCO₂e per person). This rise can be attributed to the rapid growth of the Unmanned Aerial Vehicle Parts Business and the heightened demand for freight services.

Scope of Greenhouse gas emissions ¹		Emission sources	2024/25 (in tCO ₂ e)	2023/24 (in tCO ₂ e)
Scope 1 Direct emissions		Petrol and diesel	51.02	32.29
Scope 2 Indirect emissions		Purchased electricity ²	84.94	7.20
Scope 3 Other indirect emissions		Paper waste disposed at landfills and sewage processing	1.87	0.06
Total			137.83	39.55
Intensity (tCO₂e/person)			1.30	0.42

Note 1: Emission factors were referred to Appendix C2 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Emission factors for purchased electricity in Hong Kong, Mainland China, and Taiwan, were referred to the CLP 2022 Sustainability Report, the Ministry of Ecology and Environment of People's Republic of China, and the Bureau of Energy, Ministry of Economic Affairs of Taiwan.

EMISSION REDUCTION TARGET PERFORMANCE AND REVIEW

Following the acquisition of the Unmanned Aerial Vehicle Parts Business, the Group reassessed its GHG emissions target pursuant to the Group's businesses diversification. Consequently, the Group has decided to use the GHG emission performance of 2023/24 reporting period as a new baseline (0.42 tCO₂e/person), and aim for a 10% of reduction by 2033. It established a more practical and achievable target moving forward.

WASTE MANAGEMENT

HAZARDOUS WASTE

The Group does not generate significant hazardous waste in operations during the Reporting Period.

NON-HAZARDOUS WASTE

The Group does not generate significant hazardous waste in operations. Non-hazardous waste generated by the Group are mainly attributed to paper waste, packaging waste, and general office waste. The summary is as follows.

Non-hazardous waste (kg)	2024/25	2023/24
Paper waste	180	12.9
Packaging waste	300	500
General office waste	500	516
Total non-hazardous waste intensity (kg/person)	9.24	10.94

Note 1: Data on non-hazardous waste are estimated based on the average weight of non-hazardous waste collected every one or two months.

WASTES HANDLING AND REDUCTION INITIATIVES

With the introduction of the Unmanned Aerial Vehicle Parts Business, the Group established a 10-year reduction target in the previous reporting period. Specifically, we aim to reduce non-hazardous waste intensity by 10% by 2033, using the 2023/24 levels as our baseline.

During the Reporting Period, the Group successfully achieved a 16% reduction in non-hazardous waste intensity (kg/person). We actively collect, sort, and recycle packaging materials internally to maximize our recycling rate. To minimize paper consumption, we implement a “reduce, reuse, and recycle” approach, which includes initiatives such as promoting paperless offices, digitizing documents, reusing paper for printing, defaulting to double-sided and black-and-white printing, and encouraging the recycling of waste paper, plastic bottles, and aluminum cans in the workplace. Additionally, we raise awareness about environmental issues through signage and posters.

RESPONSIBLE USE OF RESOURCES

The Group upholds the principle of efficient and effective use of resources and implements various efficiency initiatives in order to minimize our environmental footprints as well as cost generated. The Group complied with the following laws and regulation related to energy, water and other raw materials, including but not limited to:

- Energy Conservation Law of the PRC
- Energy Administration Act of Taiwan

During the Reporting Period, the Group primarily consumes electricity and water. No other significant raw materials and energy were used by the Group during the Reporting Period.

ENERGY MANAGEMENT

During the Reporting Period, the Group's business operations resulted in total energy consumption of 337,100 kWh. This represents a 26% increase in electricity consumption intensity compared to the previous Reporting Period. This significant rise is primarily due to the rapid growth of the Unmanned Aerial Vehicle Parts Business, which has greatly influenced the overall increase in the Group's electricity usage.

Despite this rise, the Group is committed to optimizing office space usage and exploring opportunities to convert properties from office environments to warehouses. These initiatives aim to enhance energy efficiency and reduce overall energy consumption across the Group's operations.

Energy Consumption Sources (kWh)	2024/25	2023/24
Petrol	76,216	107,000
Diesel	102,002	Nil
Electricity	158,882	130,011
Total Energy Consumption	337,100	237,011
Intensity (kWh/person)	3,180	2,521

ENERGY USE EFFICIENCY INITIATIVES

The Group is committed to using energy efficiently to manage our environmental impacts. Due to the shift of its operation focus, the Group renewed its targets to reduce 10% electricity consumption by 2033, as compared to 2023/24 baseline, by implementing the following energy saving initiatives:

- Establish energy-saving policies and guidelines and educate employees;
- Turn off unnecessary lightings during lunch and after normal operating hours;
- Set the air conditioners at an optimal temperature;
- Set electrical appliances with energy-saving mode;
- Use energy-saving lightings and handle disposed lightings properly; and
- Take into account energy efficiency requirements during procurement process.

WATER CONSUMPTION

During the Reporting Period, the Unmanned Aerial Vehicle Parts Business consumed a total of 1,469 m³ of fresh water. The intensity of this water usage was 13.85 m³ per person of the Unmanned Aerial Vehicle Parts Business.

For the Group's other business segments, the availability of specific data pertaining to water usage was limited. Consequently, the water consumption figures for these other business units were not included in the accounting¹.

Despite the constraints around comprehensive water usage data, there were no issues in sourcing adequate water supplies during the Reporting Period.

WATER USE EFFICIENCY INITIATIVES

Given the nature of the Group's business, water usage is primarily limited to that consumed by employees in the offices. Although the overall water usage is minimal, the Group remains committed to promoting water conservation through various efficiency initiatives. These initiatives include:

- Educating employees on the importance of water conservation
- Encouraging employees to opt for brewed beverages or filtered water instead of bottled water in the workplace
- Installing high-efficiency water equipment and implementing related recycling programs

PACKAGING MATERIAL

Primarily focused on the Unmanned Aerial Vehicle Parts Business, the Group's consumption of packaging materials is minimal, as the packaging process is largely managed by suppliers. Given that the use of packaging materials is considered insignificant to the Group, it has not been disclosed in this Report.

¹ The water consumption of Garment Business, Property Investment Business, and Timepieces and Accessories Business were incorporated within the property management fee. These business operations do not significantly rely on water consumption, and the water consumption was minimal.

THE ENVIRONMENT AND NATURAL RESOURCES

SIGNIFICANT IMPACTS OF ACTIVITIES ON THE ENVIRONMENT

During the Reporting Period, the Group did not identify any significant adverse effects of its activities on the environment and natural resources. However, the Group remains vigilant and continues to monitor the impact of its business operations on the natural environment closely.

To ensure the long-term sustainability of its operations, the Group complies with all relevant regulations, rules, and international standards related to environmental protection. Furthermore, it has implemented green office management practices to reduce its carbon footprint and promote the sustainable use of natural resources.

To further minimize any potential adverse environmental impacts, the Group has adopted various energy and resource-saving measures, as detailed in the “A1. Emissions” and “A2. Use of Resources” sections. This includes establishing and closely monitoring reduction targets for greenhouse gas emissions, waste, and energy consumption.

Recognizing the potential environmental impacts of its operations, the Group takes proactive measures to mitigate environmental damage while ensuring full compliance with all applicable laws and regulations.

CLIMATE CHANGE

CLIMATE CHANGE GOVERNANCE

The Board is committed to managing the risks associated with climate change by integrating ESG considerations, including climate-related issues, into the corporate governance process. This integration enhances board-level oversight and guides management in addressing climate risks within existing business operations and their impact on the Group’s overall strategy.

Climate-related risk management has been incorporated into the Group’s risk management system. The Board is responsible for monitoring the effectiveness of this management approach, discussing and reporting on climate-related risks, and formulating necessary measures during Board meetings. Plans are developed based on identified risks to strengthen the Group’s capacity to respond to the negative impacts of extreme weather events.

The Group is dedicated to ensuring the continuity of production and operations while safeguarding public security and the safety of employees and their property. For more detailed information about the Group’s ESG governance, please refer to the “Sustainability Governance” and “Sustainability Approach and Strategy” sections.

CLIMATE RISK IDENTIFICATION

In alignment with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), climate-related risks are classified into two primary categories: physical risks and transition risks. The Group has conducted a thorough analysis to identify various climate-related risks that could impact its business operations. These include acute physical risks, chronic physical risks, legal and policy risks, technology risks, and reputational risks.

To assess the potential effects of these climate-related risks on its value chain, the Group has evaluated the likelihood and severity of each risk. This assessment enables the Group to gauge the level of risk associated with each identified climate-related concern.

By proactively identifying and managing these climate-related risks, the Group seeks to protect its business operations and bolster its resilience against climate change. This strategy ensures that the Group is well-equipped to handle the challenges posed by climate-related disruptions, thereby supporting the long-term sustainability of its operations.

Time Span	Years	Definition
Short-term	1-5	Covers the period during which the Group faces severe and rapidly emerging climate risks. The focus of short-term strategies is to address the most urgent threats and implement gradual recovery measures.
Medium-term	5-10	During this period, the Group must organize and consolidate its short-term climate risk management, creating a deeper impact across its business operations and value chain.
Long-term	10 or more	This period extends to the long-term, systemic impacts of climate change that the Group must address. Structural changes can be made in the long run to mitigate and adapt to profound climate effects.

An ESG risk assessment was conducted based on assessing the possibility and impact of each identified risk into three levels: high, medium and low.

Risk levels	Definition of the overall risk levels
High	Risks at this level may have serious consequences. There will highly likely be some impacts on the Group and hindrances for the Group to achieve strategic goals.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher.
Low	Risks at this level have limited harm and consequences for the Group to achieve its strategic goals, and the probability of occurrence is low.

Climate risk type	Time horizon	Implication on business	Risk level
Physical Risk			
Acute physical risk	Short term	Increased severity and frequency of extreme weather affects daily operation and disrupt supply chain. Reduced revenue and increased maintenance cost.	Medium
Chronic physical risk	Medium to long term	Rising temperature increase energy use and equipment maintenance cost.	Low
Transition risk			
Market risk	Long term	Shifting consumer preference to a more sustainable fashion may lead to an increased operation cost	Low
Technology risk	Long term	Operational cost may increase due to the need of replacing the existing facility and electrical equipment with higher efficiency and environmentally friendly model	Low

Climate change opportunity			
Time horizon	Potential Financial Impact	Impact level	
Market Expansion			
The digitalization of information	Short term	<ul style="list-style-type: none"> The increasing demand for Unmanned Aerial Vehicle (“UAV”) technology in various sectors, such as agriculture, logistics, and surveillance, presents opportunities for market expansion. This growth can lead to higher revenues and profitability. The adoption of drones for environmental monitoring and conservation efforts can enhance the Group’s reputation and open new revenue streams while contributing to sustainability goals. 	High

ANTICIPATED FINANCIAL IMPACTS

The Group recognizes that climate-related risks may impact its financial position within the UAV industry. Anticipated extreme heat events could affect operational consumption metrics and lead to increased costs in the supply chain, potentially diminishing production efficiency and cost control, which may lower financial performance. Furthermore, cash flow could decrease due to the necessity for increased investments aimed at addressing climate risks and maintaining business operations.

Considering the Group’s strategies for managing climate-related risks and opportunities, we anticipate changes in financial performance over the short, medium, and long term. The Group plans to enhance its control measures and investments focused on improving energy efficiency and reducing carbon emissions.

CLIMATE CHANGE SCENARIOS

The Group has analysed the major impacts that the UAV industry may encounter under the climate scenarios suggested by the HKEX.²

Climate Scenario	Global Average Temperature Increase	Major Impacts
Turquoise	Projected to rise approximately 1.7°C by 2060 and approximately 1.8°C by 2100.	<ul style="list-style-type: none"> – Increased demand for eco-friendly UAV technologies and low-emission supply chain. – Growth in the market for sustainable drone applications, such as environmental monitoring. – Enhanced focus on integrating circular economy practices in UAV manufacturing.
Brown	Projected to rise approximately 2.4°C by 2060 and approximately 4.4°C by 2100.	<ul style="list-style-type: none"> – Heightened risk of regulatory non-compliance, resulting in potential financial penalties for UAV operations. – Disruption of supply chains due to extreme weather events affecting component availability. – Increased operational costs associated with carbon pricing and regulatory compliance in the UAV sector.

² HKEX. (2021). Guidance on climate disclosures. Hong Kong Exchanges and Clearing Limited. https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_climate_disclosures_c.pdf

COMMITMENT TO A SUSTAINABLE TRANSITION

The Group's operations in Hong Kong align with the goal of achieving carbon neutrality by 2050, as outlined in the "Hong Kong Climate Action Blueprint 2050." In Mainland China, the Group is dedicated to supporting Mainland China's dual carbon goal of reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060.

Given the primarily office-based nature of our operations, we assess that our exposure to climate change risks is relatively low. Currently, the Group does not utilize carbon credits or implement internal carbon pricing (ICP), nor do we incorporate climate-related considerations into our remuneration policy. However, by actively exploring sustainable UAV technologies and services, the Group aims to reduce long-term operational costs and enhance market competitiveness, while progressively mitigating climate-related financial risks in the coming years.

METRICS AND TARGETS

To measure the level and impact of the Group's climate-related risks, the Group monitors metrics and indicators to ensure an effective and quantitative assessment. The Group regularly monitors and reviews the following aspects and their corresponding indicators. The Group has also set targets on reducing GHG emissions and energy consumption as detailed in the sections "Emissions Reduction Target Performance and Review" and "Energy Management" of this report.

Aspects	Indicators
Carbon emissions	Scope 1, Scope 2, Scope 3 GHG emissions (in tCO _{2eq}), total GHG emissions (in tCO _{2eq}) and the GHG emission intensity (in (in tCO _{2eq} /m ²) as shown in the section "Greenhouse Gas Emissions" of this ESG report.
Energy and resources utilisation	Energy consumption (in kWh) and its intensities (in kWh/m ²) as shown in the section "Energy Management" of this report.

B. SOCIAL

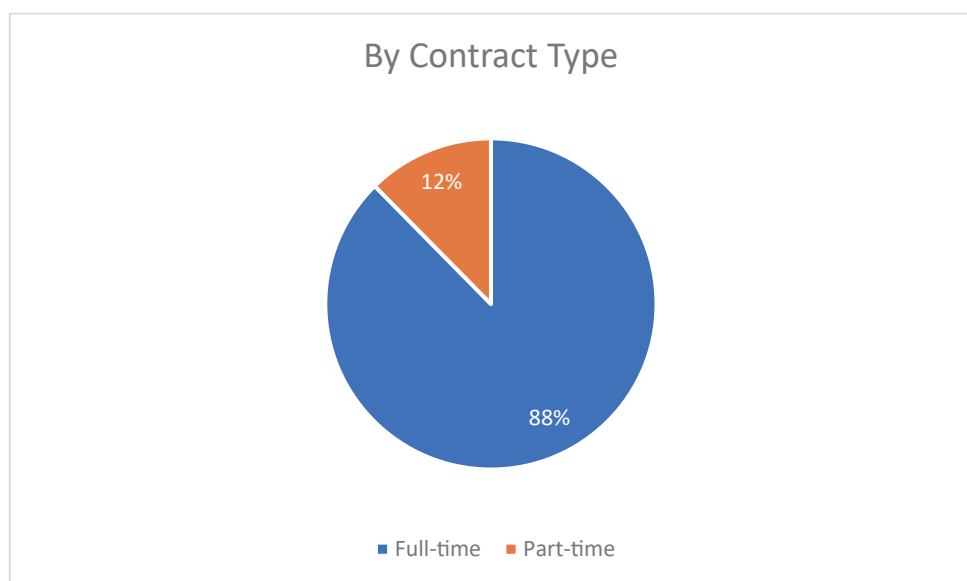
1. EMPLOYMENT AND LABOUR PRACTICES

The Group recognizes that employees are its most valuable assets and is committed to fostering a respectful and collaborative work environment. We strictly adhere to all relevant labour laws and regulations governing employment and labour practices. This includes compliance with the Employment Ordinance, Employees' Compensation Ordinance, Sex Discrimination Ordinance, Disability Discrimination Ordinance, and Race Discrimination Ordinance in Hong Kong, as well as the Labor Law, Labor Contract Law, Social Insurance Law, Law on the Protection of Rights and Interests of Women, Law on the Protection of Minors, and Law on the Protection of Disabled Persons in the People's Republic of China (PRC).

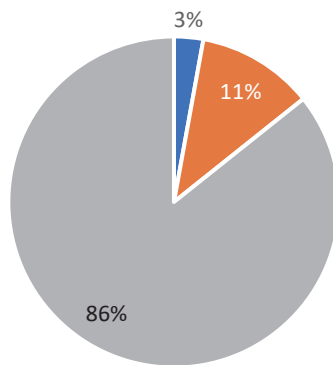
During the Reporting Period, the Group was not aware of any material non-compliance with applicable employment laws and regulations. We are dedicated to upholding these standards to ensure the welfare and rights of our employees.

EMPLOYMENT

The Group had a total number of 106 employees as of 31 March 2025. During the end of the Reporting Period, the total workforce by contract type, employment category, age group, gender, and geographical locations are as follows.

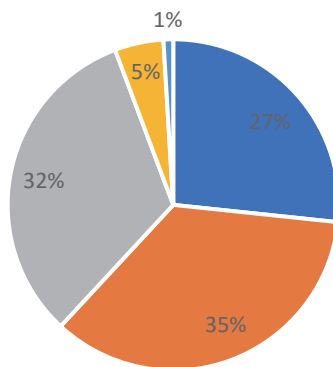


By Employee Category



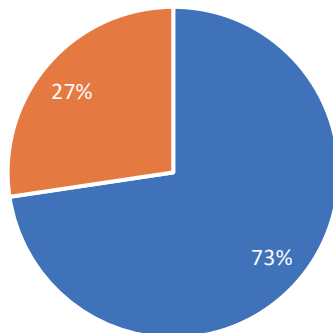
■ Senior Management ■ Middle Management ■ Frontline and Other Employees

By Age Group

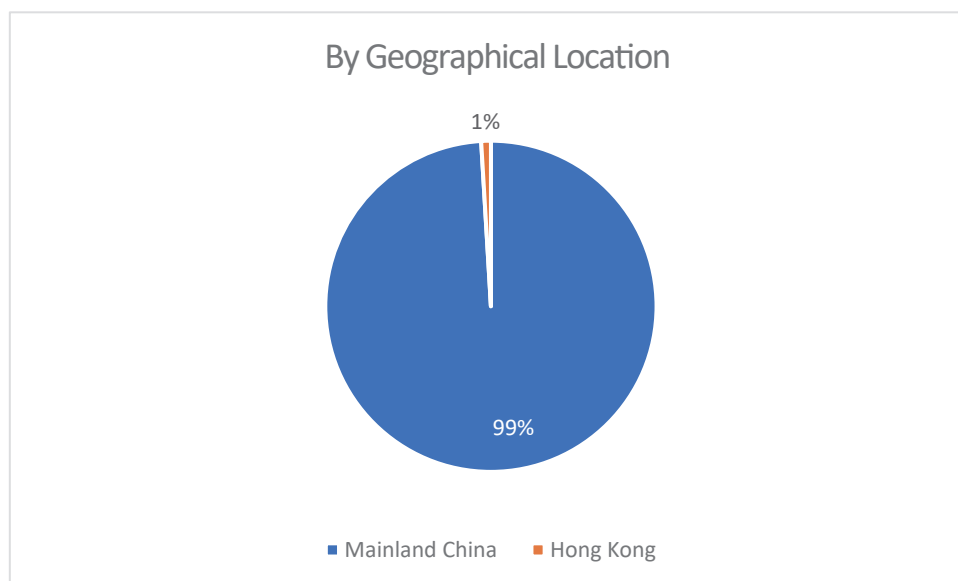


■ 18-25 ■ 26-35 ■ 36-45 ■ 46-55 ■ 56 or above

By Gender

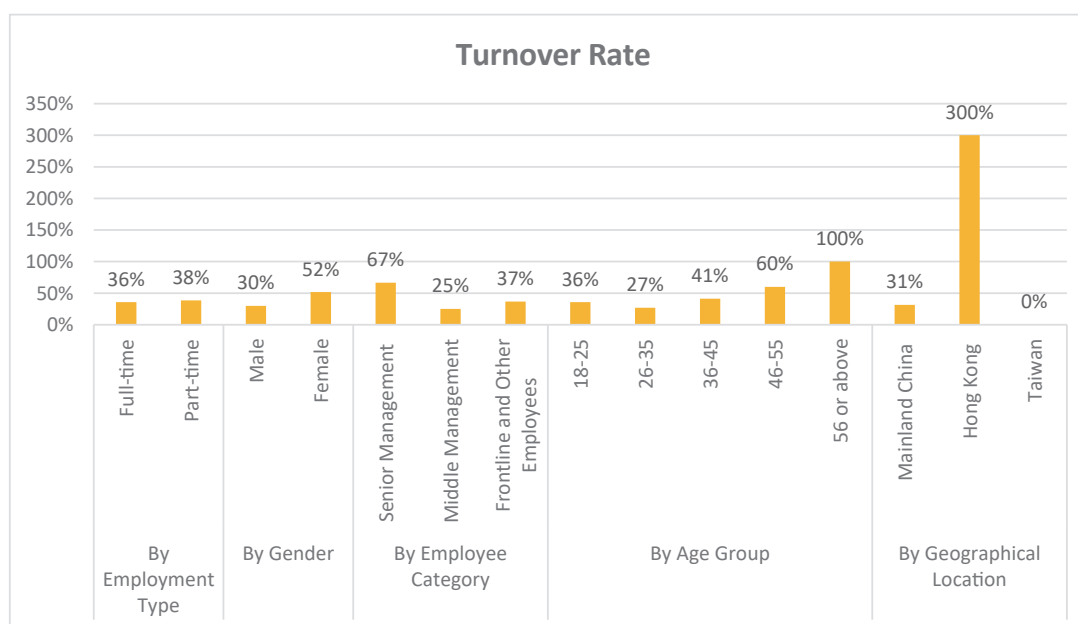


■ Male ■ Female



Turnover

During the Reporting Period, a total number of 38 employees left the Group, representing an annual turnover rate of 36%. The employee turnover rate by gender, age group and employee category, and geographic location in the Reporting Period are as follows:



Recruitment and Dismissal

The Group is committed to creating value for both our employees and the organization. We adhere to recruitment procedures guided by relevant laws and regulations, ensuring equal opportunities for all applicants and employees. Discrimination based on age, race, religion, disability, gender, sexual orientation, marital status, social stratum, or political background is strictly prohibited.

Our recruitment decisions are made based on candidates' experience, competencies, and qualifications, in line with our principle of equal opportunity. The Group's employee handbook outlines the terms and conditions of employment, expectations for employee conduct and behavior, as well as rights and benefits. It also includes mechanisms for processing employee resignations and retirements.

Equal Opportunity

The Group is dedicated to promoting the principle of equal opportunity, ensuring that all individuals are free from biased assumptions. During recruitment, promotion, and transfer processes, we evaluate candidates and employees based on their knowledge, skills, and qualifications, rather than factors such as gender, marital status, ethnicity, or religion. We are committed to fostering a workplace that is free from discrimination and harassment. The Group will conduct thorough investigations and take appropriate action in response to any incidents of discrimination or harassment, as deemed necessary.

Remuneration and Benefit

To attract and retain high-caliber talent, the Group offers competitive remuneration packages and fringe benefits that align with employees' experience and responsibilities. Employees receive a basic salary, statutory holidays, and various types of paid leave, including sick leave, annual leave, parental leave, and medical insurance. Additionally, discretionary bonuses may be awarded at the management's discretion. To ensure that our compensation and benefits policies comply with applicable laws and effectively evaluate employee performance, the Group has established an internal management system that is reviewed regularly. Recognizing the importance of employees' contributions to our business success, we adjust salaries annually based on performance appraisals and market studies.

Staff Communication

Effective communication is vital for sharing ideas and fostering connections between the Group and our employees. We offer a variety of communication channels to engage with our staff. Regular face-to-face meetings and informal chats provide opportunities for employees to share feedback and exchange insights on various aspects of the workplace. Additionally, the Group publishes internal newsletters to inform staff about upcoming events and development plans, ensuring that everyone stays updated and engaged.

EMPLOYEE HEALTH AND SAFETY

The Group is committed to providing a safe working environment for all employees. We strictly adhere to national and local laws, regulations, and best practices, including the Occupational Safety and Health Ordinance in Hong Kong, the Employees' Compensation Ordinance, the Law of the PRC on the Prevention and Control of Occupational Diseases, and the Occupational Health and Safety Act of Taiwan. During the Reporting Period, there were no material instances of non-compliance with health and safety laws and regulations.

To ensure a safe and comfortable workplace, the Group implements a range of measures, including regular cleaning and maintenance of air-conditioning systems, checking water dispenser filters, inspecting fire detection systems, and conducting pest control.

As a result of our effective health and safety management, the Group reported no work-related fatalities, lost days due to work injuries, or violations of health and safety laws in Hong Kong, the PRC, or Taiwan during the Reporting Period.

DEVELOPMENT AND TRAINING

The Group places a high value on its employees by investing in their development, recognizing that a vibrant and skilled workforce is essential for driving business growth. We offer a range of on-the-job training and relevant courses provided by external professional organizations, aimed at enhancing employees' occupational and management skills. This includes training in occupational health and safety, technical skills, management practices, and ethical conduct.

During the Reporting Period, the Group facilitated a total of 3,412 training hours, representing 98% of our employees who received training and an average of 32 training hours per employee. The training courses provided included:

- Occupational Health and Safety
- Safety Production Training
- Job Responsibilities and Safety Operating Procedures

- Post-Holiday Return-to-Work Warning Education
- Fire Drill Training

	% of employees trained	Average training hours per employee
By employee category		
Senior management	100%	32.00
Middle Management	92%	29.33
Frontline & other staff	100%	32.00
By gender		
Male	100%	32.00
Female	93%	29.79

LABOUR STANDARDS

The Group is committed to fostering an ethical and professional workplace that safeguards employees' rights. Any form of child labour and forced labour is strictly prohibited. We comply with all relevant regulations, including the Employment of Children Regulations in Hong Kong, the Labour Law of the PRC, the Provisions on Prohibition of Child Labour in the PRC, and Chapter V of the Labor Standards Act in Taiwan.

To ensure compliance with these regulations, the Human Resources Department requires shortlisted candidates to present valid identification documents prior to employment confirmation, ensuring they are legally eligible for work. Any instance of child labour or forced labour discovered will result in immediate dismissal of the individual involved, and disciplinary actions will be taken against management and responsible parties.

The Group is also dedicated to maintaining a workplace free from discrimination and harassment. Employees are encouraged to report any suspected incidents to the Human Resources Department, which will conduct thorough investigations and take appropriate actions as necessary. During the Reporting Period, no instances of non-compliance with laws and regulations related to preventing child and forced labour were identified.

2. OPERATING PRACTICE

SUPPLY CHAIN MANAGEMENT

Effective supply chain management is essential for the Group's sustainable development. We recognize the importance of maintaining stable and long-term relationships between supply and demand. To this end, the Group has implemented a rigorous procurement policy that includes a preliminary assessment of potential suppliers based on their compliance with relevant safety and environmental protection standards.

The preliminary assessment process includes the following steps:

1. Screening potential suppliers.
2. Verifying whether suppliers have obtained certifications related to product quality, safety, and environmental protection.
3. Reviewing any historical negative reports concerning the supplier.
4. Evaluating their product quality, production processes, and delivery capabilities.
5. Obtaining senior management approval for selected suppliers.

During the Reporting Period, the Group engaged a total of 173 suppliers from Mainland China for raw materials and office electronic devices.

PRODUCT RESPONSIBILITY

The Group values building lasting and trustworthy relationships with its customers. To ensure product quality, all products comply with relevant international and domestic regulatory standards and industry best practices. We have established a feedback channel for promptly addressing customer inquiries, feedback, complaints, and after-sales service, valuing customer input highly.

In the event of complaints, the Group conducts thorough internal investigations using fair and transparent methods, providing customers with the results of these investigations. Appropriate remedial measures are then implemented. To enhance our competitiveness, we regularly conduct spot checks on product quality and review customer feedback to identify opportunities for improvement.

During the Reporting Period, the Group did not experience any significant product recalls related to safety and health issues, nor were there notable complaints regarding product quality. Should a product recall occur due to safety and health concerns, the Group will communicate with clients regarding the reasons for the recall and determine the most appropriate solutions.

The Group is committed to continually improving product quality and enhancing the overall customer experience.

Intellectual Property Rights

The Group is committed to protecting intellectual property rights and opposes any form of intellectual property infringement. Relevant provisions have been stipulated in the employee handbook to ensure strict implementation through corporate policies, systems, and processes.

The Group's Intellectual Property (the "IP") Policy is compliant with Trademark Law, and the Patent Law of the PRC, and regulates the implementation, maintenance, and continuous improvement of the Group's management of IP rights. The Group is committed to using third-party licensed rights and IP assets rightfully without violation of any applicable laws and regulations on IP infringement. As of 31 March 2025, the Unmanned Aerial Vehicle Parts Business gained 16 new patents, including 2 innovation patents, 7 utility model patents, and 7 design patents. The detailed information of the Group's accumulated patents is as follows:

Patent type	Total
Innovation patents	41
Utility model patents	41
Design patents	14
Total	96

Consumer Data Protection

The Group recognizes its responsibility to protect personal information and takes this obligation seriously. We strictly adhere to the Laws of Hong Kong regarding the Personal Data (Privacy) Ordinance and all relevant regulations. Comprehensive codes of conduct have been developed to safeguard the privacy of our customers and suppliers. All staff members are required to follow these policies and written guidelines when collecting, processing, using, or accessing customer data. The Group prohibits unauthorized copying, communication, or disclosure of confidential information to mitigate the risk of data leakage.

Advertising and Labelling

In full compliance with applicable laws and regulations, all marketing and promotional activities undertaken by the Group provide an accurate description of our products' specifications and features, avoiding any exaggerated or misleading information.

ANTI-CORRUPTION

The Group places the highest value on integrity, honesty, and fairness throughout the organization and maintains a firm stance against commercial bribery, extortion, fraud, and money laundering. We strictly adhere to all applicable laws, including the Criminal Law of the PRC, the Anti-Money Laundering Law of the PRC, the Prevention of Bribery Ordinance in Hong Kong, and the Anti-Corruption Act of Taiwan. The acceptance of any form of advantage, such as gifts, discounts, loans, or contracts from any business entity, is strictly prohibited. Employee conduct and rules regarding conflicts of interest are clearly outlined in the employee handbook.

We believe that an effective whistleblowing mechanism is essential for good governance and anti-corruption efforts. Therefore, the Group has established a whistleblowing system that provides an open reporting channel for staff to report any suspected cases of corruption, theft, fraud, or embezzlement, which will be investigated further. When necessary, cases will be reported to relevant authorities, such as the Police or the Independent Commission Against Corruption, for appropriate follow-up actions.

During the Reporting Period, there were no legal cases related to corrupt practices against the Group or its employees.

Additionally, the Group regularly provides updated information to all levels of staff, including directors and general employees, to ensure they understand the latest regulations and best practices related to anti-corruption, including national policies and the Group's internal Code of Conduct. While no specific anti-corruption training was conducted during the Reporting Period, we ensure that all directors are well-informed about relevant laws and regulations.

In the upcoming reporting year, the Group plans to implement anti-corruption training for general staff and directors to enhance their understanding of business integrity and foster a culture of ethical business practices.

COMMUNITY INVESTMENT

While the Group has not yet established formal policies regarding community engagement, we recognize the importance of partnering with local communities. During the Reporting Period, the Group did not participate in any community projects or volunteer services.

Looking ahead, the Group is committed to exploring opportunities to resume community activities and initiatives in the next reporting period.



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MAJESTIC DRAGON AEROTECH HOLDINGS LIMITED