CHTC FONG'S INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 641)



Environmental, Social and Governance Report 2025

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Scope

This Environmental, Social and Governance Report 2025 ("this Report") covered the disclosure of CHTC Fong's International Company Limited (the "Company", and together with its subsidiaries, collectively referred to as the " Group") during the period from 1 January 2025 to 31 December 2025, regarding the performance of the following core business scopes and the three operating regions which represented the majority of the Group's business revenues and the significant implication with the environment:

MANUFACTURING AND SELLING OF DYEING AND FINISHING MACHINES

- Fong's National Engineering (Guangdong) Co., Ltd.

  (9 Xiangshan Avenue, Cuicheng New District, Zhongshan City, Guangdong Province, the PRC)

- Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.

  (19 Xiangshan Avenue, Cuicheng New District, Zhongshan City, Guangdong Province, the PRC)

MANUFACTURING AND SELLING OF STAINLESS STEEL CASTING PRODUCTS

- Tycon Alloy Industries (Zhongshan) Co., Ltd.
  (28 Wugui Road, Cuicheng New District, Zhongshan City, Guangdong Province, the PRC)

The contents of this Report are prepared in accordance with the Environmental, Social and Governance Reporting Code as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") , and the frequency of publication is once a year.

- **Materiality:** The Group regularly makes reference to the industry sustainability standards at the local and international level and strives to integrate with them. At the same time, regular communication with stakeholders of various aspects is used to identify the most concerned and important sustainability topics for the Group. Those sustainability topics will also be incorporated into the Company's development policies under the overall strategy of the Company's operations. During the year, the Group also conducted stakeholder surveys to identify their expectations on the Group and developed appropriate strategies to respond to their views and needs.

- **Quantitative:** The Group is committed to quantifying and disclosing key performance indicators and data within the environmental and social categories, and whenever feasible, explaining the methods of data collection and calculation to enhance transparency of the data.

- **Balance:** In order to maintain the balance of reporting content, fair disclosure of sustainability performance and challenges related to the Group and stakeholders is provided with impartial information to the public.

- **Consistency:** The Group adheres to the "Environmental, Social and Governance Reporting Code" of the Listing Rules for disclosure, which allows the Group to make meaningful annual comparisons of past performance under the same framework, and to disclose updated calculation methods of relevant data when necessary.

Board's Governance on Environmental, Social and Governance Topics

In 2025, the external economic environment remained highly uncertain. The Group faced a variety of challenges in its operations. Fluctuations in raw material prices, coupled with uncertainties in global trade policies and a significant increase in US tariffs, led to an increased pressure on operating costs. The Group faced potential risks from climate change, for example, extreme weather impacts supply chain stability and raises energy costs. In that case, the Group steps up its effort in enhancing climate governance to ensure business resilience. The Group adopts stringent measures for quality control and a strategic framework that integrates cost control initiatives throughout its entire operating structure. The Board of Directors (the "Board") of the Company oversees relevant environmental, social, and governance (ESG) issues within the existing business strategy framework, as well as continuously seeking to improve the Group's sustainable development performance. In addition to ensuring continued compliance with relevant laws and regulations in the regions where the Group operates, the Group prioritizes the interests of its stakeholders in its corporate strategy. The Group satisfies the expectations of its stakeholders on ESG and climate-related matters while striving to mitigate operational risks (including climate-related physical risk and transitional risk).

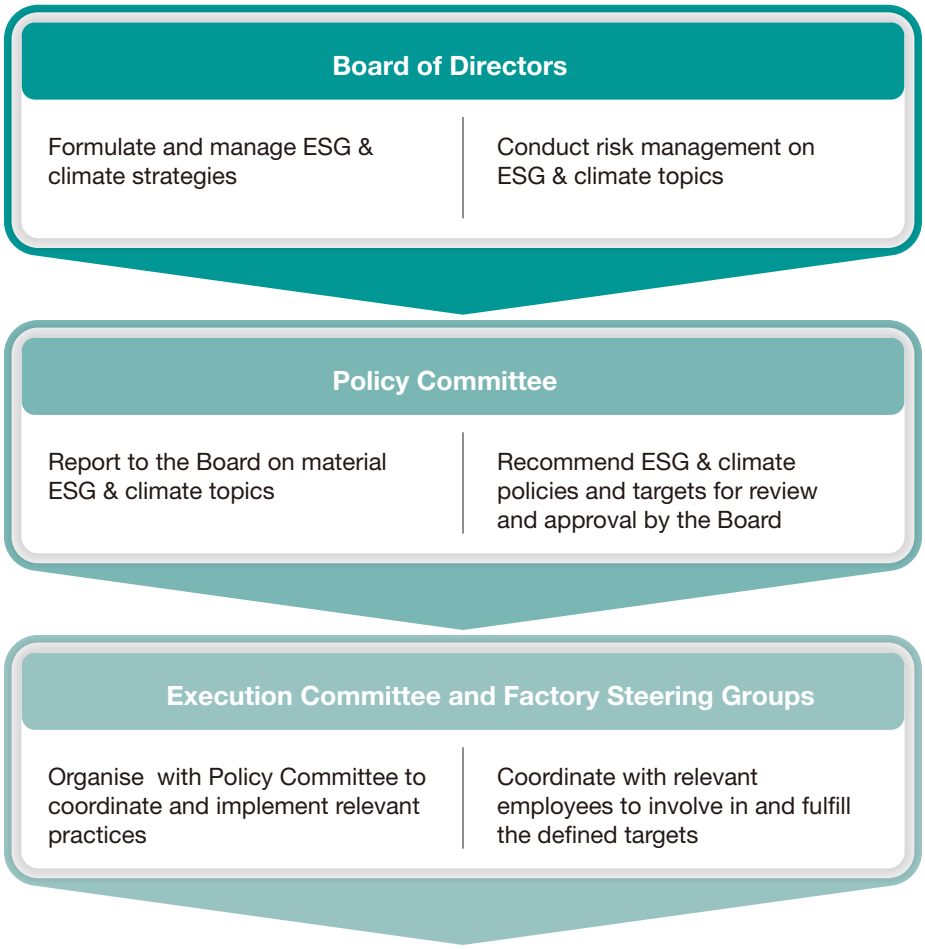
The functional departments and working groups of the Group regularly collect information on ESG and climate. They compile, analyze and disclose such information in the ESG report. The Board of Directors takes all responsibility for ESG strategies and reporting. It established and formulated a comprehensive ESG framework to ensure the effective implementation of the Company's policies and commitments.

The Group has a Policy Committee that reports to and advises the Board on ESG and climate-related policy matters, to ensure the Group's decisions and actions for sustainability development in line with best practices and regulatory requirements (including the climate disclosure requirements under Appendix C2 of the ESG Reporting Code of The Stock Exchange of Hong Kong Limited ("Stock Exchange ")). The Executive Committee and Factory Leadership Teams under the Policy Committee are to assist in satisfying the above-mentioned works and responsibilities, as well as regularly report to the Policy Committee and the Board on relevant policies, measures, project progress, objectives and results. The Board regularly reviews the effectiveness of the ESG and climate initiatives to understand the potential impact and related risks of ESG and climate matters on the Group's business model.

The Chief Executive Officer (CEO) oversees ESG and climate-related matters for the Board. The Board integrated climate governance mechanisms into sustainable development or ESG governance mechanisms, to enhance overall management of climate-related risks and opportunities. The Board discusses these matters annually. While ESG and climate issues are not currently included on the Board's agenda, the Board's responsibilities include reviewing and advising on budgets, overseeing significant capital and operating expenditures, overseeing acquisitions, mergers and sales, reviewing and guiding strategies, reviewing and guiding climate transition plans, and reviewing the effectiveness of the risk management system, to address the challenges from climate change. Currently, the Board members lack ESG and climate-related expertise, because such expertise is considered important but not a top priority. However, the Company plans to address this issue within one year through training or bringing in members with relevant expertise for enhancing the Board's management capabilities on climate governance. The CEO manages ESG and climate-related matters, with the support of the Risk Committee and other committees. These include integrating ESG and climate-related matters into strategies and assessing climate-related risks and opportunities. In the event of occurrence of climate-related risks, it will be reported to the Board. In 2025, the Group conducted a climate scenario analysis to identify potential physical risks (such as floods or heat waves that affect production facilities) and transitional risks (such as changes in carbon taxes or low-carbon policies). We review our climate risk management process annually and integrate significant climate risk into the Company's overall risk management system.

Board's Governance on Environmental, Social and Governance Topics

ESG Governance Structure



Through regular communication with committees/working groups and the annual ESG report, the Board will evaluate the potential risks disclosed from the ESG and climate information, and then prioritise the management of those ESG and climate topics with significant impacts and formulate effective preventive and control measures. In response to the aforesaid market risks, the Board has adopted a prudential approach in management of different core businesses, including but not limited to the following strategies:

Board's Governance on Environmental, Social and Governance Topics

MANUFACTURING AND SELLING OF DYEING AND FINISHING MACHINES

The continued weakness and insufficient demand in industrial market in China frustrated the demand for products. Despite intensified competition in the dyeing and finishing machinery industry, the Group's sales revenue in this sector remained stable year-on-year. The Group is committed to improving labor efficiency and output quality, as well as investing resources in training skilled workers, in order to achieve key strategies for cost savings and improving production quality. Through continuous technical training and professional skill enhancement programs, the Group ensures that employees master the latest production technologies and standards, and further optimize workflows, to reduce waste and improve overall production efficiency. To cope with market demand fluctuations and urgent orders, the Group actively considers increasing the proportion of outsource to support existing labor resources. This not only enhances business flexibility and enables the Group to respond quickly to urgent orders, but also effectively controls fixed labor costs and reduces operational risks. By flexibly allocating internal manpower and external resources, the Group can achieve cost-effectiveness and ensure stable production, to enhance its competitiveness. With the synergy effect of labor optimization and outsourcing strategies, the Group can maintain high-quality production, meet customer needs and remain financial soundness, in order to ensure the sustainable development of its business.

As a leading manufacturer of dyeing and finishing machinery, product development and innovation are key operational strategies. The Group will continue to regard efficiency as core driver. It actively promotes the application of smart manufacturing technologies and optimizes production processes to enhance overall capacity and quality. The Group will invest in automated equipment and data analytics systems to accelerate the transformation of its digital factory, to achieve a more precise, efficient, and flexible production management model. Simultaneously, in consideration of climate-related opportunities, the Group looks into low-carbon technology innovations (such as developing energy-efficient dyeing and finishing equipment), to reduce energy consumption and support customers' green transformation.

MANUFACTURING AND SELLING OF STAINLESS STEEL CASTING PRODUCTS

The products of this business primarily include high-quality castings and machined parts (such as stainless steel, duplex steel and nickel-based alloys). These products are widely used in industrial equipment for valves, pumps, and in the chemical, oil, gas, and food industries. Major customers are located in Europe, the United States, and Japan. During the year, order volume for castings continued to be affected by global tariffs and inventory destocking, which is primarily attributable to customers being cautious on placing orders, leading to fluctuations in order volume. Fortunately, the management team was committed to developing new customers and seeking potential cooperation opportunities over the past few years, with its focus on developing unique and high-end casting products. This allows the Group to implement prudent capacity expansion plans, upgrade facilities and replace old machinery, support the development of higher-value casting portfolios, and moderately improve automation, to enhance overall efficiency.

Despite implementing strict cost control measures in various aspects, the Group recognizes that addressing climate change has become a global consensus for sustainable development. Therefore, while ensuring the Company's competitiveness, the Board actively promotes sustainable development policies and strives to integrate environmental protection concepts into all aspects of product management. The Group not only formulates relevant policies and targets but also regularly reviews performance and implementation progress, to ensure effective implementation of relevant environmental protection measures, ongoing reduction of carbon emissions and resource waste. Therefore, the Group adopted a series of strategies (including prioritizing the use of environmentally friendly materials during the product design phase or selecting products that enhance environmental performance), to reduce its impact on environment. The Group also proactively upgrades equipment and machinery in its production line, to improve energy efficiency and reduce pollution. Furthermore, the Group works closely with customers

and supply chain partners to develop more environmentally friendly production technologies, in order to drive the entire industry chain towards a green transformation. To further implement the application of renewable energy, the Group also invested in developing renewable energy projects (such as photovoltaic power generation systems) in its factory premises, to reduce reliance on traditional energy sources and lower carbon emissions. These measures not only contribute to the Company's long-term sustainable development but also enhance the Group's competitive advantage in the market, which ensures a balance between environmental protection and economic benefits, particularly on the stage of climate regulation being increasingly stringent.

Despite a challenging external environment and intensified market competition, the Group will continue to uphold its operation philosophy of " Technology-focused and Customer-oriented". The Group invest more resources in the research and development of new products to launch more high-quality, market-appropriate products to meet the needs of different customers. The Group has a solid core business foundation, as well as a strong management team, production facilities and manufacturing technology. Looking ahead, the Group strive to integrate sustainable development into the core of its business processes, which not only improves operational efficiency but also strengthens its commitment to be a responsible corporate citizen. By continuously improving its internal oversight framework and refining its sustainable business model, the Group continues its business in the ever-changing business environment while remaining committed to sustainable growth and ethical business practices. The Group will step up its efforts to collaborate with all parties to build a better future.

Communication with Stakeholders

The Company convenes an annual general meeting which provides an effective platform for the Board to exchange views with its shareholders. In addition to the annual general meeting, for maintaining close relationships with customers, suppliers and other stakeholders, the Group communicates from time to time with stakeholders and listens to their views and needs through visits, phone conferences, e-mails, customer service representatives, and trade exhibitions, etc. The Group's overall business performance is also reported to the investors in the annual report of the Company.

In order to better understand the environmental, social and governance awareness and expectations of our stakeholders, in addition to the above stakeholder communication channels, the Group conducted a survey of stakeholders in the reporting year and proceeded the following three steps to prepare and conduct the "Materiality Assessment":

STEP 01

Identify topics on environmental, social and governance

In accordance with the Environmental, Social and Governance Reporting Code of the Listing Rules as the framework for materiality assessment, and taking into account factors such as corporate development strategies, industry trends, regulatory and market requirements, the stakeholder questionnaire was developed to proceed survey on 25 sustainability environmental, social and governance (ESG) topics in four categories: environmental protection, employment and labour management, operating practices and community investment.

STEP 02

Identify stakeholders and set up questionnaires

The stakeholders identified as utmost important to the Group are our customers, suppliers and employees. According to their respective perceptions and expectations, specific content of the topics was formulated in their respective questionnaires. The questionnaires were then distributed to the sampled stakeholders, whose feedback was collected within the specified time frame.

STEP 03

Evaluate and identify material topics

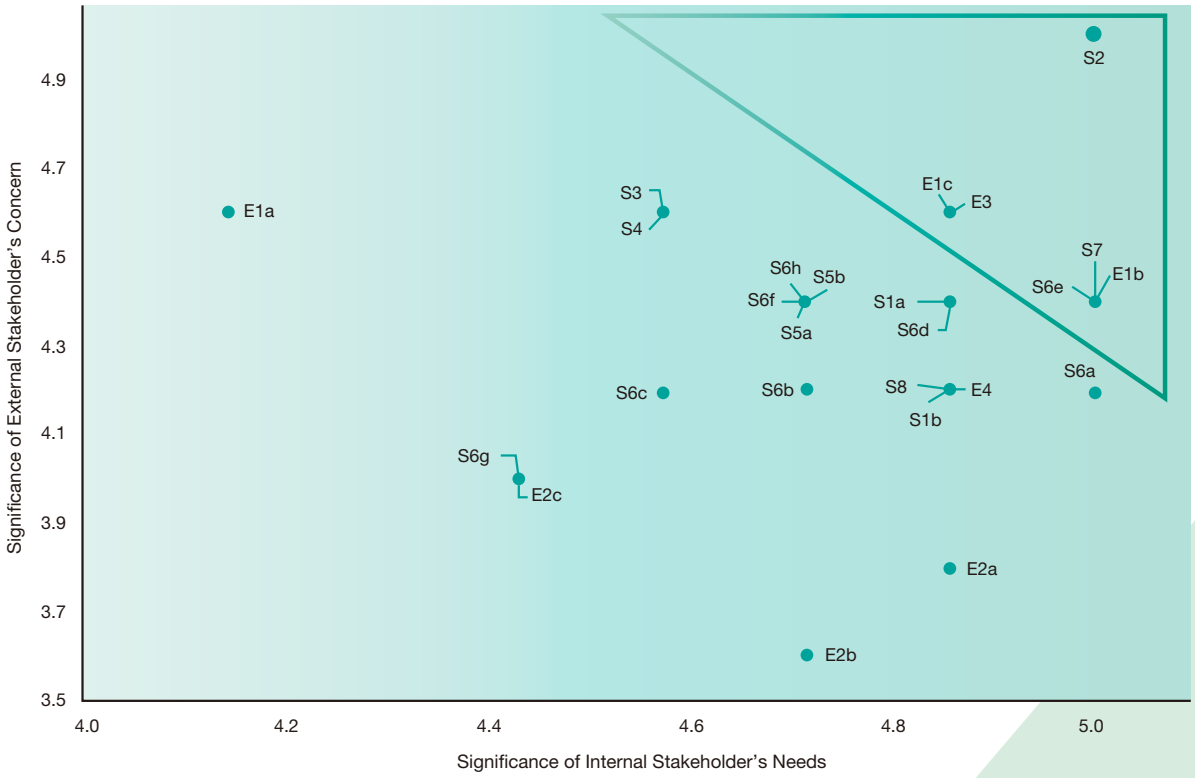
Through statistical analysis of survey feedback from external stakeholders, and review of the Group's strategies and the priorities of internal stakeholders, data of both external and internal demands was consolidated for plotting the "ESG Materiality Matrix Diagram". From the aforesaid 25 sustainability topics, the ESG material topics of the Group were identified (within the red triangle in the upper right corner of the matrix diagram on next page).

"Materiality Assessment" based on 25 Sustainability Topics in Four Categories

Legend	ESG topics
E1a	Air Quality
E1b	Water & Wastewater Management
E1c	Waste & Hazardous Materials Management
E2a	Energy Management
E2b	Packaging Material Consumption
E2c	Paper Consumption
E3	Ecological Impacts
E4	GHG Emissions & Climate Change
S1a	Employment
S1b	Employee Engagement, Diversity & Inclusion
S2	Occupational Safety and Health
S3	Talent Development

Legend	ESG topics
S4	Labour Practices
S5a	Supply Chain Management
S5b	Green Procurement Practices
S6a	Product/Service Quality & Safety
S6b	Product/Service Innovation
S6c	Customer Welfare
S6d	Product-recall Mechanism
S6e	Customer Complaint Handling Mechanism
S6f	Customer Privacy & Data Security
S6g	Selling Practices & Service Description
S6h	Intellectual Property Right Protection
S7	Business Ethics & Anti-corruption
S8	Community Contribution

ESG Materiality Matrix Diagram



Communication with Stakeholders

To enhance the granularity of the materiality assessment results, the coverage of the stakeholder survey has expanded from 23 to 25 topics. In the materiality assessment for this year (2025), three of the identified material topics are similar to the results from the previous year (2024) (indicated in italics in the table below), while the remaining three are newly identified topics. Based on the results of this materiality analysis, the Group will continue to evaluate and refine its sustainable development strategic priorities to enhance sustainability governance.

Year 2025	Year 2024
Occupational Safety and Health (S2)	Occupational safety and health Prevention of Child and Forced Labour Customers' health and safety
Customer Complaint Handling Mechanism (S6e)	Product/service quality Customer service and complaint handling mechanism
Business Ethics & Anti-corruption (S7)	Intellectual property right protection Prevention of corruption/bribery and money laundering
Water & Wastewater Management (E1b) ***Waste & Hazardous Materials Management (E1c)*** ***Ecological Impacts (E3)***	

5.1 ENVIRONMENTAL

5.1.1. The Environment and Natural Resources

The Group's long-term development is closely intertwined with social sustainability, with environmental protection being a key component of sustainable development. The Group recognizes that while pursuing economic growth, it must also fulfill its social responsibilities. Therefore, it actively integrates environmental protection principles into its daily operations to ensure that business activities align with environmental sustainability requirements. The Group is committed to implementing environmentally friendly operational practices by preventing pollution, reducing resource consumption, and improving energy efficiency to minimize the environmental impact of its business operations.

To enhance environmental protection more effectively, the Group has established a comprehensive environmental management system that systematically monitors and improves environmental performance. The Group conducts regular internal reviews and engages third-party organizations for independent assessments to ensure the continuous improvement and effective implementation of its environmental management measures. This not only strengthens the Group's environmental competitiveness but also enhances stakeholders' trust in the Group. The Group's efforts in environmental protection have been widely recognized by the government, industry associations, customers, and suppliers.

(a) Directional Targets on Environmental Protection

The Group is committed to corporate social responsibility and protection of environment, therefore, has established the following targets with the aim to mitigate the adverse environmental impacts incurred from the operations.

Environmental targets	Directional statements	Measures taken during the year
Emission reduction	1. Reduction in emission of exhaust gases containing volatile organic compounds (VOC)	i. Application of powder-spraying line for substitution of paint-spraying process, which led to reduced emission of volatile organic compounds ii. For suitable products, use water-based paint in replacement of oil-based paint to reduce the emission of volatile organic compounds
	2. Enhancement in the filtration and treatment system for exhaust gases/dust	i. Increase in the facilities for dust removal at polishing stage and for treatment of exhaust gases ii. Installation at paint-spraying room with water curtain collection system, cleaning towers, ultra-violet (UV) photolysis and activated carbon absorption equipment, as well as high altitude emission devices, for reducing emission of dust and volatile organic compounds

Environmental targets	Directional statements	Measures taken during the year
	3. Increase in the use of clean energy for reducing pollution incurred from coal-fired power generation	i. In the paint-spraying room of dyeing and finishing machine manufacturing factory, substitution of electricity by natural gas for provision of heat energy ii. In the heating furnace of stainless-steel casting production factory, use of natural gas in replacement of electricity as the energy source
	4. Decrease in the vehicles' consumption of diesel oil or gasoline	Gradual replacement of diesel forklifts by electric forklifts, consequently for reducing emission of exhaust gases and greenhouse gases generated by the engines of diesel forklift
	5. Gradually replacing traditional lighting with LED fixtures	The lighting fixtures in the workshops of various functional departments are gradually being replaced with LED lights to reduce indirect greenhouse gas emissions (Scope 2) generated from purchased electricity
	6. Utilizing renewable energy to reduce greenhouse gas emissions	Progressively increasing the proportion of renewable energy used, including commissioning a 6.9 MW solar photovoltaic (PV) system at the stainless-steel casting plant and adding a PV generation system at the dyeing and finishing machinery manufacturing plant, with an aggregate annual reduction of approximately 515 tonnes of CO_2 emissions

Environmental targets	Directional statements	Measures taken during the year
Waste reduction	1. Re-use of relevant raw materials along the production processes for reducing industrial wastes	In stainless-steel casting production factory, practices for recycling and re-use of materials were in place: • Re-use of casting sands, with an annual reduction of approximately 7,106 tonnes • Recycling of wax, with an annual reduction of approximately 167 tonnes
	2. Upcycling of raw materials from nonconforming products or wastes	i. In stainless-steel casting production factory, scrap casting products are reused, saving approximately 120 tonnes of steel, with an annual reduction of approximately 127 tonnes of steel and approximately 3% of the annual steel consumption throughout the year ii. In dyeing and finishing machine manufacturing factory, large defective products are converted into smaller-sized products, allowing the steel from scrap materials to be reused for in-house engineering projects.
	3. Application of devices which could achieve waste reduction	i. Cutting machines of environmental model were adopted within cutting departments in factories for manufacture of dyeing and finishing machines, aiming to reduce the generation of waste sands ii. In factories for manufacture of dyeing and finishing machines, in-house CNC equipment for processing of composite chain parts was in place for reducing waste generation.

Environmental targets	Directional statements	Measures taken during the year
Energy use efficiency	1. Application of heat recovery technology for reducing energy consumption	In stainless-steel casting production factory, natural gas consumption was reduced by approximately 3% through installation of energy-saving devices for recovery of heats from exhaust gases of boilers, while concurrently replaced boilers with low-NOx models, resulting in a 20% year-on-year reduction in NOx emissions
	2. Increase in use of energy-saving equipment	In factories for manufacture of dyeing and finishing machines, energy-efficient welding equipment was adopted. In addition, energy-efficient boilers were installed in Tooling Equipment department to substitute the old boilers for reducing consumption of natural gas
	3. Enhancement in technology for reducing energy consumption	Manual plasma cutting machine was used to replace carbon dioxide laser machine in the process of Dyeing Vat department, thereby saving approximately 30% of electricity consumption throughout the year
Water use efficiency	1. Reuse of wastewater that was treated and meeting the specified standards	In factories for manufacture of dyeing and finishing machines, treated wastewater was recycled for non-production usage in the factories, such as floor cleaning and greening activities, through utilisation of sewage treatment facilities
	2. Adoption of water recycling equipment	In factories for manufacture of dyeing and finishing machines, "pressure-test water recycling system" was established with water pool for collection and recycling of water

(b) Green Office Management

In addition to establishing the aforesaid environmental targets for factory's operations, the Group is also very concerned about the environmental impacts from office operation. Through various means, consumption of resources and generation of wastes is reduced.

(b)(1) Electronic Management

The Group understands that paper is an important resource consumed in the office environment, and actively promotes electronic documentation in day-to-day operations. Computer files are used instead of paper-based documentation in an attempt to implement the paperless office operations, which would reduce the use of paper consumables in the office. At the same time, the Group requires employees to adopt double-sided printing, and to reuse papers with only one-side used for the aim of paper saving.

(b)(2) Administrative Measures

The Group deeply understands that business travel increases energy consumption and leads to higher greenhouse gas emissions. Therefore, it actively reduces the frequency of business travel to lower emissions caused by travel activities. During the year, the Group introduced relevant documents and policies, explicitly encouraging employees to minimize business trips and adopt alternative communication methods. Telephone and/or video conferencing are promoted as substitutes for long-distance in-person meetings, effectively reducing greenhouse gas emissions from unnecessary transportation.

(c) Environmental Education to Employees

The Group values employees as one of the important stakeholders. Through induction training and posting of slogans in workplace, the Group aims to raise environmental awareness of employees and to advocate them of energy conservation practices, such as requesting employees to switch off all electrical equipment responsible at the end of the working day. Moreover, for the appropriate environmental topics, relevant training would be arranged to employees. Amongst the operating regions covered by this Report in the reporting year, the Group has arranged a total of 877 participants in 697 hours of environmental awareness trainings, for the purpose of their effective implementation of the environmental measures on energy saving and emission reduction, etc.

5.1.2. Emissions

The Group actively responds to the global trend of emission reduction and is committed to minimising the emissions or discharges of greenhouse gases, air-borne particulates, wastewater and solid wastes in its daily operations. The Group is seeking for innovative technology and new products to improve environmental protection performance and has developed a series of environmental policies to strengthen control. During the reporting period, the Group did not identify any significant non-compliance to the regulations pertinent to emissions or other environmental issues.

(a) Solid Wastes

(a)(1) Waste Disposal

The Group has formulated Environmental Handbook or relevant environmental practices that manage the environmental impacts resulting from manufacturing operations; these impacts include the handling of malfunctioned parts, consumption of electricity and other resources in the manufacturing process. At the same time, measures are taken to recycle all usable scrap materials in order to mitigate the environmental impacts from such waste discharge.

The Group classifies various wastes for appropriate handling, which includes identifying recyclable/reusable wastes and designating areas for storage of these wastes; training employees to categories and put wastes into the designated areas; appointing the qualified vendors for disposal of the finally confirmed wastes.

Types of wastes	Total Annual Emission (tonne)	Emission Intensity per tonne of production units (tonne/tonne)
Hazardous wastes	297.8	0.0154
Non-hazardous wastes	2,668.6	0.1380

(a)(1)(i) **Manufacture of Dyeing and Finishing Machines**

From the manufacture of dyeing and finishing machines, hazardous wastes generated, mainly cutting wastes, waste activated carbons, empty waste containers, waste paint residues, empty chemical containers, and sludge, etc. will be collected and processed by qualified contractors; non-hazardous wastes, mainly, general metallic wastes and scrap wooden materials, are classified into two types namely recyclable and non-recyclable categories. Recyclable wastes are processed by qualified contractors or sold, while the non-recyclable wastes are moved to the designated garbage processing centre.

Manufacture of dyeing and finishing machines	Unit	Year 2025	Year 2024[1]
Hazardous waste emissions	(tonne)	**96.9**	81.4
Emission intensity[2] (per tonne of production units)	(tonne/tonne)	**0.0070**	0.0072
Non-hazardous waste emissions	(tonne)	**2,321.5**	1,863.2
Emission intensity (per tonne of production units)	(tonne/tonne)	**0.1665**	0.1648

[1] For dyeing and finishing machinery manufacturing operations, the 2024 hazardous and non-hazardous waste intensities were restated to 0.0072 and 0.1648, respectively, following data reconciliation.

[2] Calculation is based on the production units of 13,944.11 tonnes in the year 2025 from the operations for the manufacture of dyeing and finishing machines.

(a)(1)(ii) **Manufacture of Stainless Steel Casting Products**

From the stainless steel casting production, the main hazardous waste generated was cutting solvent and other chemical liquid waste, while non-hazardous wastes were mainly waste sands, metallic wastes, and dust from dust collectors, all were collected and processed by qualified contractors.

Manufacture of stainless steel casting products	Unit	**Year 2025**	Year 2024
Waste sand emissions	(tonne)	**61.84**	52.1
Emission intensity[3] (per tonne of production units)	(tonne/tonne)	**0.0115**	0.0126
Cutting solvent emissions	(tonne)	**17.54**	16.6
Emission intensity (per tonne of production units)	(tonne/tonne)	**0.0032**	0.0040

(b) Measures for Waste Reduction

(b)(1) Manufacture of Dyeing and Finishing Machines

The Group is striving to enhance the automation control for supporting emission reduction, including the development of equipment for digital-controlled composite chain parts processing. In addition to automation control, environmental-friendly equipment is preferred in procurement, such as installation of cutting machine of environmental-friendly model in the Cutting and Forming department for reducing the generation of waste cutting sands.

Additionally, the factory is committed to recycling and reusing materials from defective or scrap products. For example, large defective products are converted into smaller-sized products, and steel from scrap materials is repurposed for in-house engineering projects.

(b)(2) Manufacture of Stainless Steel Casting Products

The Group utilizes recycling processes to reduce the waste generation; these processes include the recycling of used sands from sand casting operations and the recycling of wax. In addition, it is committed to extracting reusable steel from the scrapped products to achieve reducing waste while improving material consumption rate.

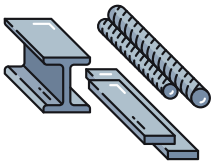
3 Calculation is based on the production units of 5,397 tonnes in the year 2025 from the operations for the manufacture of stainless steel casting products.



Casting Sands – Reuse
Annual savings approximate
7,106 tonnes



Wax Recycling
Annual savings approximate
167 tonnes



Scrap Steel Materials – Extracted for Reuse
Annual savings approximate
127 tonnes

Through the re-use of casting sands and based on the new sand's consumption of 1,210 tonnes in the reporting year, the savings of casting sands amounted to around 34 times of the annual consumption.

During the wax recycling process, used wax would be collected for filtering, evaporating, mixing, settling, and then recycled for use. Based on the new wax's consumption of 17 tonnes in the reporting year, the savings of wax was around 10 times of the annual consumption.

For those non-recyclable wastes, the Group will identify the suitable contractors for sale in order to reduce the environmental impact caused by waste discharge directly.

(c) Control of Sewage Discharge

The Group has established measures for managing industrial effluent. In the factories for the manufacture of dyeing and finishing machines, they have established wastewater treatment facilities which use continuous high-frequency pulse ionization membrane system, for prevention of environmental pollution incurred by industrial wastewater, such as treating the discharge of wastewater from acid washing and phosphating processes. During the reporting period, wastewater treatment system using technology of Continuous High-Frequency Pulse Ionization Membrane was adopted for the annual target of processing around 1,950 m^3 of wastewater.



Sewage Treatment Facilities

(d) Control of Air Pollution

(d)(1) Equipment for Emission Filtration

(d)(1)(i) Manufacture of Dyeing and Finishing Machines

Sites for the manufacture of dyeing and finishing machines would release exhaust gas to external environment. Factories adopted high-efficient dust removal and purifying facilities for reduction of dusts emitted during welding as well as exhaust gases and acidic mists released from other production processes.



Movable Welding Smoke Treatment Facilities

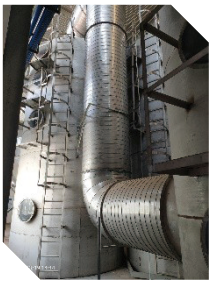


Acidic Mist Exhaust Treatment Facilities

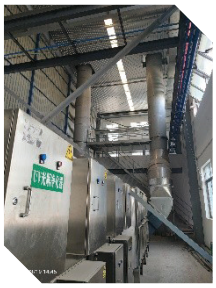
Paint-spraying room was installed with dust removal and purification facilities, including water curtain system for collection of exhaust gases, cleaning towers, ultra-violet photolysis and activated carbon absorption equipment, as well as high-altitude emission devices. All these aimed for reducing environmental emission of dust and volatile organic compounds.



Water Curtain System for collection of spray paint exhaust



Spraying Tower for handling of paint exhaust



UV Photolysis and High-altitude Emission System for handling of spray paint exhaust

To reduce emissions of VOC, the factory has adopted a powder coating process instead of using paint materials in the spraying process. This change significantly reduces the use of volatile organic solvents, thereby lowering VOC emissions. It is estimated that this initiative will reduce VOC emissions by approximately 52 tonnes annually.

(d)(1)(ii) **Manufacture of Stainless Steel Casting Products**

The factory for the manufacture of stainless steel casting products has also established control for emission of exhaust gas and equipped with facilities for reduction of pollutants to the environment. Supervisory personnel perform daily inspection patrol to ensure normal operations of the relevant environmental facilities for dust removal and the automatic doors of sand casting facilities. In addition, external organizations will be commissioned to conduct environmental monitoring to control noise, domestic sewage, and exhaust gas emissions. In accordance with the systems and regulations pertinent to environmental protection, types of emissions and standards stipulated in the discharge permit are being controlled, such as those for benzene/toluene/xylene. Also, they maintain records for monitoring and take prompt actions in event of abnormalities.

5.1.3. Use of Resources

The Group is concerned on environmental protection and upholds its business philosophy "Conservation as Priority, Management at Sources", and hence carries out appropriate measures to enhance the utilisation of resources:

(a) Energy Conservation

For reduction of energy consumption, the Group is striving to use energy-efficient products and equipment in an attempt to replace equipment with high energy consumption, including the use of energy-saving LED lighting, and whenever feasible to maintain illumination level at the designated range in order to mitigate extra energy consumption caused by excessive lighting.

(a)(1) Manufacture of Dyeing and Finishing Machines

In respect of the operations for the manufacture of dyeing and finishing machines, the Group has formulated "Environmental Handbook", "Energy Management Handbook" or the relevant operating documentation for energy conservation in an attempt to achieve energy saving and efficient operations. Through machinery control for achieving energy efficiency, the Group uses inverter controls in electrical equipment of high-power consumption, energy-efficient welding machines, manual plasma cutting machine, and digital-controlled composite chain parts processing. At the same time, the Group phased out 17 energy-intensive welding machines and introduced additional equipment, including high-efficiency deep-penetration welding units, manual MIG welders, component welding robots, automated MIG welding robots, tube-sheet welding robots, and deep-penetration welding and TIG longitudinal seam welding machines.




In-house CNC Equipment for processing of composite chain parts

In addition to production facilities, the Group has also implemented an automatic lighting control system in dormitory buildings. Sound and light sensor switches have been installed in appropriate locations to detect human activity and automatically control lighting, ensuring that lights are turned on only when needed, thereby reducing unnecessary energy consumption. Furthermore, LED lighting has replaced traditional lighting fixtures in workshops and office buildings across the factory area. This transition is estimated to reduce electricity consumption by approximately 15,800 kWh annually.

(a)(2) Manufacture of Stainless-Steel Casting Products

In the stainless-steel casting operations, apart from replacement of energy-saving lights, the factory is also reducing electricity consumption by recovery of thermal energy through the other processes such as heat recovery from boilers. Through heat recovery from boilers, it achieved annual saving of around 3% of natural gas consumption.


Thermal-energy Recycling Device


Heat Recovery Device

In the stainless steel casting manufacturing plant, all departments have placed warning and notification labels at various electricity usage points to remind employees of the importance of energy conservation. As a result of these measures, the plant's electricity consumption has decreased by 3% compared to the previous year.

Additionally, the plant continues to utilize the "water storage tank of cold energy" that was established in 2022. This system primarily supports the wax-injection and molding workshops of precision casting production. While enhancing cost efficiency, the system also serves as a backup power source.

Through its function as storage tank of cold energy, it improves the stability of the air conditioning system. More importantly, it helps reduce the load on the regional power grid, contributing to overall energy efficiency within the community.



Water Storage Tank –
cold energy storage/air-conditioning equipment

Technical principles:

- Capitalize on the characteristics of low electricity price at nighttime
- Store the cold energy within the water storage tank, in form of freezing water at 4°C
- Use the stored energy at daytime when the electricity is priced high

Energy effectiveness to society:

- Power plant: reduce investment in new power plants and raise the effectiveness of power generation at nighttime
- Power grid: balance the load of the power grid and enhance safe operation performance of the power grid
- Environmental protection: mitigate the peak adjustment pressure at power generation side and promote more consumption of clean energy

(b) Water Conservation

The Group has adopted appropriate equipment and administrative measures in order to enhance water utilisation.

(b)(1) Use of Appropriate Equipment

Factories for the manufacture of dyeing and finishing machines are equipped with wastewater treatment facilities, allowing treated reclaimed water to be reused. For example, the treated water is utilized in the pickling process at the Zhongshan plant. Additionally, some factory sites have constructed rainwater collection pools, storing water for non-production purposes such as pickling and phosphating. Furthermore, certain production equipment is designed for water recycling, where wastewater generated from the pickling rinsing process can be treated and reused within the process. Through these water recycling initiatives, the Group effectively reduces the consumption of freshwater resources.



Use of Recycled Water
Annual savings approximate
14,100 m^3



Rainwater collection for greening usage
Annual savings approximate
2,300 m^3

(b)(2) Administrative Measures

In the factory for the manufacture of stainless steel casting products, the Group has improved existing techniques to reduce water consumption, at the same time has formulated monitoring control whereby abnormal water consumption will be investigated for identification of the cause of abnormal water leakage.

Furthermore, the Group inspects water consumption facilities in the manufacturing plants and offices and takes timely remedies to any water leakage or dripping. In addition, some factories have installed water valve control equipment equipped with infrared sensing technology to assist employees and visitors to conserve water.

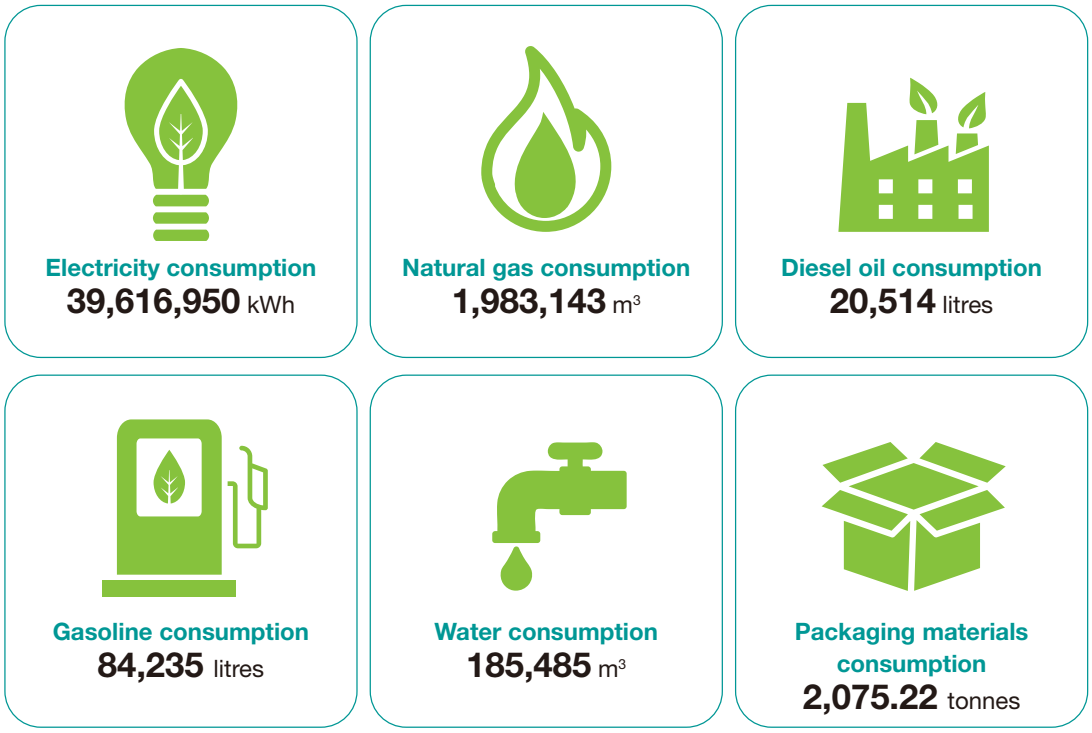
(c) Consumption of Packaging Materials

The following table set forth the weight[4] of main packaging materials consumed by the Group during the reporting period:

Packaging Materials	Year 2025	Year 2024
Paper (tonne)	**20.71**	20.09
Plastic (tonne)	**56.17**	656.75
Wood (tonne)	**1,936.47**	1,407.20
Metal (tonne)	**61.86**	6.21

[4] Only covered those packaging materials with accurate records of their weight data.

(d) List of Resource Consumption



Based on the calculation per tonne of production units, the following table set forth the consumption intensity of various key resources:

Resource Consumption Intensity per tonne of production[5]	**Year 2025**	Year 2024
Electricity (kWh)	**2,048.36**	2,898.30
Water (m^3)	**9.59**	14.21
Natural gas (m^3)	**102.54**	130.23
Diesel oil (litre)	**1.06**	0.87
Gasoline (litre)	**4.36**	1.24
Packaging materials (tonne)	**0.11**	0.12

5.2 SOCIAL

5.2.1. Employment

In addition to complying with the requirements of local employment regulations, the Group has also formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner. Relevant policies will be regularly reviewed to identify the needs of update.

Recruitment and Promotion

The Group provides equal opportunities for all job applicants and does not discriminate based on gender, age, race, or nationality. All hiring decisions are made solely based on whether the applicant meets the job requirements. During the recruitment process, in addition to considering applications from local candidates, the Group also welcomes job seekers of different ethnicities and nationalities.

The Group has an equitable promotion mechanism that only makes reference to an employee's performance, experience and competence; other irrelevant factors such as ethnicity, gender, and marital status will not be considered.

[5] Calculation of consumption intensity is based on the total production units (in weight of tonne) from both operations for the manufacture of dyeing & finishing machines and the manufacture of stainless-steel casting products.

Salaries and Benefits

The Group formulates and regularly evaluates its compensation and benefits system based on various factors, including local market data, company performance, employee performance, inflation levels, and local labor regulations. This system covers aspects such as minimum wages, bonuses, overtime pay, paid leave, sick leave, and work injury leave. Additionally, the Group ensures compliance with local regulations by providing employees with the required social insurance.

During relevant seasons, the Group organizes recreational and entertainment activities to enrich employees' workplace experience and help them achieve a healthy work-life balance. This year, the Group achieved fourth place in the National Day Football Tournament of Cuiheng New Area (Nanlang Sub-district), first place in the DHL Basketball Tournament (Zhongshan Division), and sixth place in the SINOMACH Group's 3rd "SINOMACH Engineering Cup" Badminton Tournament, thereby further fostering teamwork and promoting healthy lifestyles among employees through broad participation in team sports.



National Day Football Tournament of Cuiheng New Area (Nanlang Sub-district)



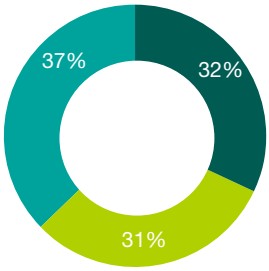
2025 DHL Basketball Tournament

During the reporting period, the Group did not identify nor receive any significant legal non-compliance or complaints pertaining to discrimination or recruitment.

As at 31 December 2025, the table below listed out the number of employees and their associated age distribution:

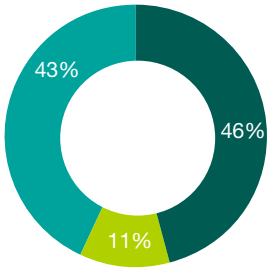
	Number of Employees
Gender	
Male	1,413
Female	189
Job Type	
Full-time	1,602
Part-time	0
Age	
18–30	186
31–45	683
46–60	733
> 60	0
Region	
Mainland China	1,602
Total	1,602

Employee Proportion per Region of Operation



- Tycon Alloy Industries (Zhongshan)
- Monforts Fong's Textile Machinery (Zhongshan)
- Fong's National Engineering (Guangdong)

Employee Proportion per Age Group



- Age 46–60
- Age 18–30
- Age 31–45

The following table outlines the monthly average employee turnover rate by gender and age group of the Group:

Monthly Average Employee Turnover Rate (%)	Year 2025	Year 2024
Gender		
Male	**0.70**	1.43
Female	**0.62**	2.60
Age		
18–30	**1.13**	2.72
31–45	**0.66**	1.35
46–60	**0.58**	1.25
> 60	**0.00**	0.00
Region		
Mainland China	**0.68**	1.56

5.2.2. Health and Safety

The Group has established an occupational health and safety management system which uses different measures to minimize the occurrence of occupational disease and industrial injury.

Workplace Safety Management

The Group regularly assesses workplace safety hazards and establishes operational guidelines to manage health and safety risks, implementing emergency response and preventive measures. These guidelines are tailored to different production processes and equipment, covering aspects such as flammable gas safety procedures, gas cylinder storage regulations, and X-ray radiation management. Employees are required to strictly follow these guidelines, with management conducting on-site inspections to correct any violations. Additionally, the Group evaluates job-related risks, provides appropriate personal protective equipment, and arranges regular equipment inspections by qualified third parties or internal professionals. To further enhance workplace safety, necessary protective devices are installed on equipment to mitigate potential hazards and ensure a secure working environment.

For special working conditions such as high-temperature environment in the stainless steel casting factory, the Group provides cooling facilities (air conditioners, fans, etc.) and monitors and records the temperatures of the workplaces. Relevant rules are established and employees are provided with protective equipment against high temperature. Employees are requested to abide by the operating rules and supervisory personnel are assigned to undertake site inspections, as well as to report and supervise rectification in event of non-compliant situation. Moreover, the Group regularly monitors the compliance status in other aspects such as the provision of fire-fighting equipment and regular inspection of such equipment.

Employee Safety Training

The Group provides appropriate training to ensure the effective implementation of operational guidelines and the safe use of equipment. The training covers topics such as the proper use of protective gear, workplace safety, occupational health knowledge, case studies, and practical safety operations for specific job roles and equipment. For specialized positions requiring specific qualifications, operators must hold valid licenses or complete specialized training. Additionally, the Group conducts regular fire drills and emergency response exercises to familiarize employees with evacuation routes in critical situations, enhancing their emergency handling skills and ensuring workplace safety.

Design of training program varies in response to occupational health and safety requirements of general staff and special positions. Relevant evaluation and examination will be arranged after training. To ensure the trainings more comprehensive and the sustainable development of employees, the Group invites external professional organizations to extend the scope of appropriate trainings, which include trainings related to environmental protection (e.g. implementation and review of environmental protection laws, carbon emission management), job-related technical and safety trainings (e.g. machinery operation, theory and practices of electrical engineering to enhance knowledge and skills in electrical operation), and management skill trainings (e.g. trainings in mediation of employment disputes, relevant terms and interpretations of social insurance).

In addition to arrangement of fundamental safety training for new employees, various factories of the Group have arranged occupational health and safety trainings to address the relevant safety hazards. The trainings organized in the reporting year included but not limited to:

i. Trainings on new safety production laws training

ii. Trainings on safe use and storage of hazardous chemicals

iii. Training on operational safety procedures

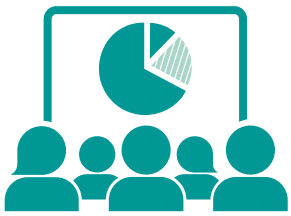
iv. Training on first aid skills

v. Training on firefighting skills

vi. Fire emergency knowledge training

vii. Occupational hazards and precaution training

viii. Specialized trainings on skills of identifying production safety hazards



Occupational Health and Safety – Total Number of Training Participants

Year 2025	Year 2024
12,728 participants	**9,268** participants

Employee Health Examination

The Group conducts annual occupational health examinations for employees in positions with potential health risks to ensure they have not developed occupational diseases. In the dyeing and finishing machinery department, high-risk positions include welders, spray painters, grinders, sandblasters, pickling workers, wastewater treatment workers, and punch press operators. In the stainless steel casting department, potential hazards involve exposure to noise, ultraviolet radiation, chromium and manganese compounds, and inorganic dust that may cause pneumoconiosis. A total of 661 employees exposed to hazardous positions have been arranged to attend health examination in the reporting year, and there were no cases of occupational disease diagnosed.

Performance of Occupational Health and Safety

In the past 3 years including the current reporting period, there was no work-related fatality of the employee, and the number of working days lost due to work-related injuries amounted to 985.52 days in the reporting period.

	Year 2025	Year 2024	Year 2023
Number of working days lost due to work-related injuries	**985.52**	1,465	1,602
Number of work-related fatalities	**0**	0	0

Work-Life Balance

The Group not only prioritizes employees' health and safety at work but also cares about their mental well-being and personal life needs. To support this, various leave policies related to family responsibilities have been established, along with flexible leave or early leave arrangements based on employees' family requirements. Additionally, to help employees relieve stress and enrich their lives outside of work, the Group regularly organizes various activities, promoting a healthy work-life balance and enhancing overall well-being.

The Group is very concerned with employees' opinions towards the management and operations of the Group. Hence, the Group designates communication channel and suggestion box for the employees, and regularly follows up the employees' opinions received.

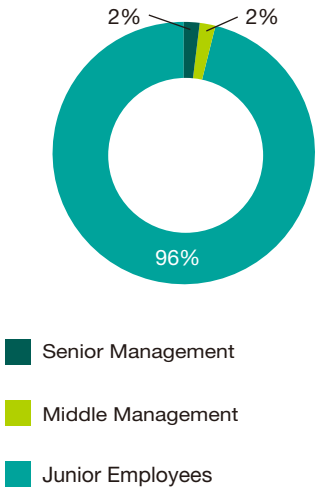
5.2.3. Development and Training

The Group has established a comprehensive training system covering various aspects, including onboarding, factory regulations, product processes, environmental protection, safety training, and other necessary external courses. In addition to traditional classroom training, the Group emphasizes hands-on experience by assigning team leaders, supervisors, or experienced employees to mentor new hires, helping them quickly adapt to job requirements and enhance their performance. This training approach is flexible and can be adjusted based on the new employee's background and experience. Furthermore, the Group tailors career development plans for employees according to different product categories, business needs, and project strategies, providing regular knowledge and skills training based on job requirements. Through annual performance evaluations, outstanding employees are given promotion opportunities, motivating career growth. This well-structured employee development and training system not only supports individual career advancement but also drives the continuous growth and success of the Group.

Within the operating sites covered by this Report, there was a total of 18,155 counts of participation in employees' training during the reporting period, which totally amounted to 25,728.5 training hours. The following diagrams and tables illustrated the monthly average proportion of trained employees and the monthly average training hours per employee:

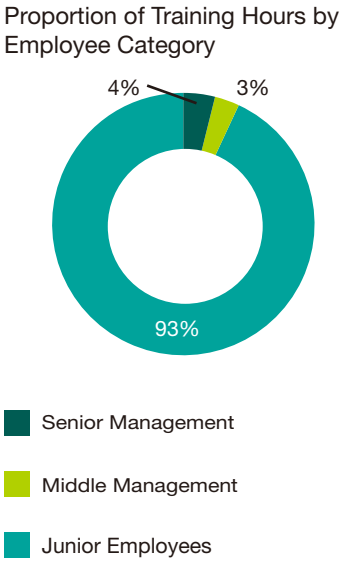
Total Number of Training Participants within the Group	**Year 2025**	Year 2024
Gender		
Male	**17,176**	13,519
Female	**979**	1,263
Employee Category		
Senior Management	**321**	341
Middle Management	**387**	344
Junior Employees	**17,447**	14,097
Total	**18,155**	14,782

Proportion of Training Participants by Employee Category



Monthly Average Proportion of Trained Employees within the Group (%)	Year 2025	Year 2024
Gender		
Male	**98.51**	73.45
Female	**42.90**	54.85
Employee Category		
Senior Management	**45.53**	46.43
Middle Management	**33.36**	30.71
Junior Employees	**100.30**	76.13
Overall Average	**92.36**	71.40

Total Number of the Group's Employee Training Hours in the Year	Year 2025	Year 2024
Gender		
Male	**23,891.5**	19,468
Female	**1,737**	2,074
Employee Category		
Senior Management	**914.5**	701
Middle Management	**859.5**	505
Junior Employees	**23,954.5**	20,337
Total	**25,728.5**	21,542



Monthly Average Training Hours per Employee	Year 2025	Year 2024
Gender		
Male	1.39	1.11
Female	0.76	0.90
Employee Category		
Senior Management	1.18	0.98
Middle Management	0.73	0.50
Junior Employees	1.38	1.12
Overall Average	1.32	1.08

5.2.4. Labour Standards

The Group strictly complies with relevant laws and regulations, prohibiting the employment of child labor and hiring only individuals aged 18 or above, considering the nature of factory operations. It ensures that no forced labor occurs by assigning tasks appropriately and not requiring employees to perform work beyond their capabilities or unreasonable duties. Additionally, the Group does not force employees to work overtime; any extension of working hours must be voluntarily requested by the employee and approved accordingly. To protect employees' legal rights, the Group does not collect deposits or withhold identification documents upon hiring.

For effective prevention of child labour, the recruitment advertisements in mainland China will specify that applicants must be at least 18 years of age. During recruitment, scrutiny is conducted on an employee's identification document and resumes for age verification. The Human Resources Department reviews applicants' resumes and eliminates those less than 18 years of age. Through the Group's annual child labour inspection and daily operation management, employment will be immediately terminated if any child labour is discovered.

The Group has established measures to prevent forced labor, ensuring that all overtime work is conducted voluntarily. Employees who wish to work overtime must submit a request to their direct supervisor and provide written confirmation. The Group strictly enforces this procedure to eliminate any instances of involuntary overtime. If any violations of this process are discovered, an immediate investigation will be conducted to identify the cause and implement appropriate corrective actions. This ensures the protection of employees' rights and maintains a fair working environment.

During the reporting period, the Group did not identify any legal non-compliance pertaining to employment of child labour or existence of forced labour.

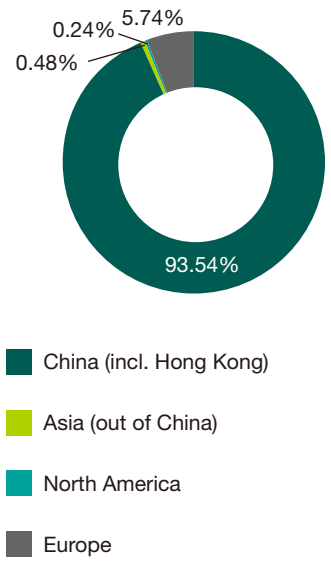
5.2.5. Supply Chain Management

The Group has established a comprehensive supplier management policy to clearly communicate its expectations and requirements for suppliers and their employees. This policy covers various aspects, including product quality, social responsibility, and business ethics, which serve as key criteria for supplier selection. To ensure supply chain stability and compliance, the Group has implemented a rigorous supplier selection and evaluation system. Before procurement, in addition to commercial considerations, a thorough assessment of new suppliers' qualifications is required, while regular evaluations are conducted for existing key suppliers. All evaluation results are documented as a basis for ongoing monitoring and decision-making, ensuring that suppliers consistently meet the Group's standards and maintain high-standard partnerships.

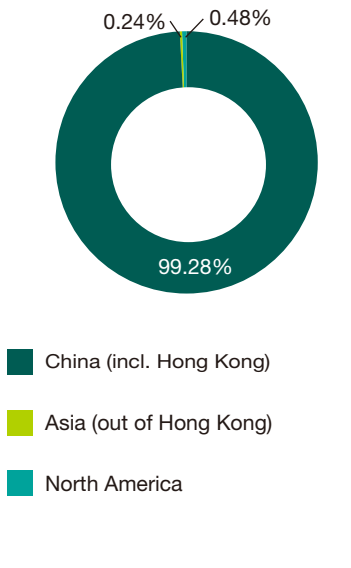
(a) Distribution of Suppliers

As at 31 December 2025, the business for the manufacture of dyeing and finishing machines has engaged no less than 418 suppliers, while the business for the manufacture of stainless steel casting products has engaged 418 suppliers. Above 93% of the engaged suppliers were located within the region of Mainland China and Hong Kong, and the remaining was distributed amongst Europe, North America, and other countries in Asia.

Geographical distribution of suppliers for manufacture of dyeing and finishing machines



Geographical distribution of suppliers for manufacture of stainless steel casting products



(b) Evaluation of Suppliers

The Group has established a comprehensive supplier evaluation process, implementing various assessment methods based on the risk level of different materials to the final product. Regular evaluations of key suppliers are conducted through multiple approaches, including supplier self-assessment questionnaires, material inspections, on-site audits, and reviews of suppliers' quality, environmental, and energy management system documents. During the evaluation, the Group investigates and tracks suppliers' past performance, focusing on key criteria such as delivery accuracy, consistency in product quality, service reliability, and price competitiveness. Through this rigorous evaluation process, the Group ensures that suppliers meet critical production and product quality requirements, thereby maintaining supply chain stability and ensuring the reliability of production quality.

In the business for the manufacture of stainless-steel castings, in addition to evaluation of the above-mentioned scope, the status of supplier's certifications will also be identified, covering the suppliers' capabilities to manage their product quality, environmental, energy, and occupational health and safety systems.

During the reporting period, the Group engaged no less than 129 new suppliers and all of them have completed the supplier evaluation prior to procurement. In accordance with the procurement requirements as stated in ISO 9001 quality management system, each factory has completed the regular evaluation on all existing suppliers for assurance of their supplies in continued compliance with the requirements stipulated by the Group. Also, pursuant to the risks of supplied materials or service incurred to the Group's products, no less than 807 suppliers had gone through in-depth evaluations and they belonged to those accounting for a significant portion of procurement amount or relating to important production materials and components for machinery,. The scope of evaluations covered quality, unit price, on-time delivery rate, quality and timeliness of service response, etc. Furthermore, the supply of key components is subject to quarterly assessments and material testing and inspections for assuring the conformance with product and customer requirements.

(c) Control of Environmental and Social Risks

The Group prioritizes suppliers that do not pose significant environmental risks and evaluates their emissions, pollution, and other potential negative impacts on the external environment. Simultaneously, the Group emphasizes the operational compliance of business partners within the supply chain, conducting comprehensive reviews of relevant social risks. The evaluation criteria include labor law compliance, workplace safety compliance, supply chain disruption risks, product compliance, and business integrity compliance. Through these assessments, the Group ensures that selected suppliers and their business partners meet environmental protection standards while effectively managing social responsibility risks.

The Group is committed to promoting the importance of energy conservation and emission reduction within the supply chain. Where appropriate, procurement contract terms specify that suppliers must comply with national environmental regulations and, whenever possible, seek suppliers that have obtained environmental and energy management system certifications such as ISO 14001 and ISO 50001. Additionally, to strengthen environmental risk control and prevent potential hazardous substances in products, the Group evaluates relevant environmental testing results before procuring

raw materials from suppliers. For example, RoHS compliance testing is conducted to review whether the content of hazardous substances in materials meets the required standards.

In the business for the manufacture of stainless-steel castings, social responsibility assessments would also be conducted to monitor the social related risks in the following areas. During the reporting year, questionnaires were also used to evaluate key suppliers' documents in the aspects of corporate quality and social responsibility:

- whether to pay labor in full and on time, and gradually raise the wage level in accordance with development of society;
- whether to provide a safe and healthy working environment, strengthen labor protection, achieve safe production, protect the safety of workers, and actively prevent occupational diseases;
- whether to establish the vocational education and on-the-job training system for the employees, and continuously enhance the talent and competence of employees;
- whether it can ensure the authenticity of products, safeguard purchase, honesty and trustworthiness, provide the correct commodity information, ensure the buyer's right to know;
- whether it can provide comprehensive after-sales service and resolve buyer's concerns in a timely manner; and
- whether there is support (donation) to indefinite vulnerable groups in the society.

(d) Green Procurement

Under the premise of meeting operational requirements, the Group prioritizes environmentally friendly equipment and materials to minimize environmental impact. Additionally, when selecting energy-consuming equipment, the Group gives preference to products that have obtained energy-saving certifications or high-efficiency energy labels, thereby enhancing energy efficiency and reducing overall energy consumption.

Manufacture of Stainless-Steel Casting Products

In the manufacture of stainless-steel casting products, the primary environmental impact of these activities is the generation of wastes. Apart from the above-mentioned technology of recycling, priority in the product specification is using materials of non-hazardous or low hazardous nature in order to ensure that products do not contain any substances hazardous to the environment and reduction in the generation of hazardous wastes. During the reporting year, the relatively environmentally friendly procurement has been made for the materials like cleaning agents, silicone sols, ethanol, etc.

Manufacture of Dyeing and Finishing Machines

Paint is a crucial raw material in the machinery manufacturing business. Under the premise of meeting customer requirements and production technical conditions, the Group prioritizes the procurement and application of powder coatings or water-based paints. Compared to traditional oil-based paints, powder coatings and water-based paints offer greater environmental benefits, as they effectively reduce the emission of VOCs during use.

Local Procurement

In addition, the Group has pursued local procurement policy as one of the measures for green procurement. Under the same quality conditions, priority is given to products and services provided by local suppliers (those within the region of mainland China and Hong Kong), in order to reduce greenhouse gas emissions during transportation in the procurement process. With reference to data of supplier distribution in the previous section of this Report, the proportion of local suppliers was more than 94% of the total supply base of the Group in the reporting year.

5.2.6. Product Responsibility

The Group recognizes that producing high-quality products is a key factor in supporting long-term business development. Therefore, in the countries where it manufactures and sells products, the Group strictly complies with local laws, regulations, and customer-specific requirements to ensure that products meet national standards and customer expectations, delivering high-quality solutions. The Group is committed to using premium materials and superior craftsmanship in all final products, ensuring they are brand new, unused, and fully compliant with the quality, specifications, and performance standards stipulated in contracts.

The relevant factories covered in this Report have achieved ISO 9001 certification for quality management system standard, providing the customers with even higher level of quality assurance. The system strictly implements the procedures for production quality management and enhances the management and development planning for product quality. During the course of manufacturing and sales, the system strengthens record-keeping in every detail of product quality management. The Group possesses the relevant qualifications in design and manufacturing, and products are designed and manufactured in line with the manufacturing standards of different countries. Before delivery, all products must undergo strict quality and safety testing for assurance of product conformance to the quality and safety levels as required by the legal regulations and customer requirements.







ISO9001 Quality Management System Certification

Fong's National Engineering (Guangdong)

Monforts Fong's (Zhongshan)

Tycon Alloy Industries (Zhongshan)

(a) Intellectual Property Protection

The Group has also invested large number of resources in the innovation for enhancing the productivity and product performance. Also, the Group is well aware of the importance of intellectual property. Whenever necessary, patent application would be proceeded for registration with the national and/or overseas authorities for protecting the intellectual property of the Group. During the reporting period, the dyeing and finishing machinery business has registered a total of 5 patents in China.

Whether for in-house designs or products manufactured according to customer specifications, all related information is strictly protected. The Group has established clear regulations and requires employees to sign a code of integrity, acknowledging that they are prohibited from disclosing or reproducing any confidential information without authorization. Additionally, the Group signs confidentiality agreements with customers to ensure that no customer-related information, such as product drawings, technical specifications, or other confidential materials involving intellectual property, is disclosed. A dedicated department is responsible for the secure storage and management of such documents, and employees are strictly prohibited from copying or removing any relevant files from the company without authorization.

For commercial software being used in the office, the Group is committed to not purchasing any form of pirated software and only procuring software from the licensed suppliers.

(b) Fair Promotion of Products

The Group ensures that all product information provided on promotional websites and other marketing materials is truthful and accurate. Additionally, for products that include user manuals, the content is based on reliable data and professional standards. At the same time, the Group requires sales personnel to promote products by conveying only the confirmed advantages and features of the Group's offerings, without making negative statements about competitors or their products, thereby avoiding misleading claims or inappropriate comparisons.

(c) After-Sales Service

For the business of manufacture of dyeing and finishing machines, the Group guarantees product quality under the conditions of proper installation and normal usage. In accordance with the sales contract, after satisfactory product testing, the Group provides a warranty period of no less than one year. During the warranty period, the Group is responsible for repairs or replacements of defects caused by proper use and non-abnormal wear and tear. Additionally, the Group also takes responsibility for correcting any computer program malfunctions caused by software errors, ensuring the stable operation of the machinery within the warranty period.

For the manufacture of stainless steel casting products, the Group has also established communication channels via telephone and e-mail, etc. for customer enquiries, elaboration of product details, etc.

(d) Quality Assurance Process

All raw materials supplied by suppliers must undergo incoming quality inspection by the Quality Department. Only materials that pass inspection and are confirmed to meet the required standards can be released for use in the production facility. The manufacturing process must strictly follow the inspection plan to ensure that quality standards are met at every stage. Upon completion of production, all finished products must undergo a final inspection to verify compliance with relevant specifications and standards before they can be delivered to customers.

(e) Handling of Customer Complaints

The Group has established a comprehensive complaint handling mechanism. Upon receiving a customer complaint, the Quality Department conducts a thorough analysis of the issue and provides the customer with the analysis results and corresponding follow-up actions within a specified timeframe. A dedicated department is responsible for managing and following up on customer complaints to ensure that issues are properly resolved. If necessary, the Group will initiate a product recall process to further safeguard customer interests and maintain product quality.

According to product types, the Group has set up different communication channels for customers to make enquiries, give their feedback or file complaints. Designated departments are responsible for following up and responding to the customers, as well as suggesting solutions to the problems encountered by the customers. Customer opinions or complaints are processed through the Group's internal customer complaint management system, which delegates to relevant departments for cause analysis and formulation of corrective actions, thus reducing or even preventing the recurrence of the same problem.

During the reporting period, the Group did not identify any major violations of product liability regulations. In the stainless steel casting manufacturing business, a total of 193 return requests and 311 customer product feedback cases were received. All returns and complaints were successfully resolved within the reporting period. Additionally, in the business of manufacture of dyeing and finishing machines, 6 customer complaints were received, issues identified included heat exchanger leakage, motor brake malfunction, delamination of the rubber layer on the pressure roller, display blackout of the variable-frequency drive (VFD), subsidence of the pin plates on the stenter chain, and higher-than-expected energy consumption during dry heat-setting. In response, the Company and its suppliers implemented corrective measures such as repair welding or component replacement, programme adjustments and motor configuration optimisation, substitution with standard pressure rollers, phased replacement of panels, replenishment and replacement of fabric clips, and adjustments to burner and piping configurations. At present, the issues relating to the heat exchanger, motor and stenter chain have been confirmed as fully resolved, while the pressure roller, VFD and energy-consumption issues remain under follow-up, with subsequent improvement actions being actively progressed as planned.

(f) Product Recall/Return Procedure

In the event of a customer rejecting a product, the Group first assesses the reason for the rejection or return. If a recall is deemed necessary, the Group ensures proper protection of the affected product and transports it to the Quality Department for inspection. At the same time, the Group collaborates with relevant departments to analyze the issue and develop specific improvement measures to prevent similar occurrences in the future. During the reporting period, the Group implemented strict quality monitoring and management for sold products and did not identify any cases requiring a recall due to safety or health concerns.

(g) Privacy Protection of Consumer Information

In order to ensure fairly use of customer information and to strengthen protection of customer information within the Group, access control is defined in the Customer Relationship Management (CRM) system which restricts sales and relevant operation staff to access customer information relevant to their responsible area only. All customer information is carefully managed and can only be accessed by the authorised personnel. For CRM log-in from external systems, the staff identity needs to be confirmed through the Group's Virtual Private Network (VPN) protection system prior to access granted. The aforesaid two systems provide employees with designated account numbers and passwords which strengthen information security management and prevent leakage or theft of customer information.

5.2.7. Anti-Corruption

The Group has established comprehensive infrastructure for internal control and formulated a set of strict policies, which prevent malpractices and unethical business practices, and also avoid the occurrence of corruption and other fraudulent behaviors through effective implementation. The Group has formulated an employee's "Code of Integrity" which includes "Declaration Form for Receipt of Gift" and the associated guidelines for declaration. It requires all employees to declare via filling in "Statement of Integrity". Whenever feasible, terms and conditions relating to anti-corruption are included in the contracts with service providers. It demonstrates the Group's emphasis on anti-corruption and defines the responsibilities and required actions amongst both parties in the occurrence of any corruption.

(a) Anti-Corruption Measures

(a)(1) Declaration for Conflict of Interest

The Group is striving to avoid conflict of interest in the course of its operations and also requests all employees to avoid the situations triggering conflict of interest, including the prohibition to abuse one's authority or position within the Group for personal gain, or avoidance of hindering one's normal duties from compromising the interests of one's family members, relatives or friends. In case of actual or potential conflict of interest, the relevant staff is required to fill in the "Declaration Form for Conflict of Interest" contained in the Code of Integrity immediately, and is subject to the appropriate decision and arrangement by the senior management. During the reporting period, the Group did not identify any significant non-compliance related to declaration for conflict of interest.

(a)(2) Procurement Approval Management

To strengthen procurement control, the Group requires the collection of evaluation data from at least two suppliers before making a procurement decision. This ensures fairness and impartiality in procurement quotations, allowing the selection of the most suitable supplier. The approval process for procurement contracts is generally determined based on the contract amount. Whenever feasible, a multi-level approval process is required, meaning that implementation can only proceed with the unanimous authorization of two levels of superiors above the responsible officer.

(a)(3) Financial Auditing

The Group engages an independent third-party auditor to audit the Group's financial accounts, ensuring clarity and accuracy in financial data. At the same time, the Group enhances internal financial controls and supervision to further improve transparency and compliance in financial management, effectively safeguarding the overall interests of shareholders.

(b) Whistle-blowing Procedures

The Group has established a comprehensive whistleblowing mechanism and reporting channels, providing employees with a safe and confidential means to proactively report any suspected violations of integrity or unlawful activities. Whistleblowers can submit reports confidentially and anonymously in writing to the designated "Board of Directors' Mailbox." Upon receiving a report, the Board of Directors will immediately assign the relevant department to investigate and follow up, ensuring that all reports are handled in a timely manner.

Through the aforesaid channel, no reported case pertinent to corruption was received in the reporting year. During the reporting period, the Group also did not identify any significant legal non-compliance or complaints relating to corruption.

(c) Anti-corruption Related Trainings

To ensure that employees at all levels fully understand and effectively implement the Group's anti-corruption policies, the Group arranges periodic specialized training sessions. These sessions provide systematic guidance to employees responsible for enforcing relevant policies, ensuring their thorough implementation. The training programs cover all levels within the Group, including board members and general employees, fostering collective participation from decision-making to execution.

The Group conveys the information related to anti-corruption in the "Employee's Code of Conduct" and "Code of Integrity". The employee's "Code of Integrity" given by the Group includes the terms forbidding corruption, bribery, misconduct, illegal practices, fraud, extortion and other integrity requirements, as well as the need of declaration for conflict of interest when necessary. For effective implementation of the Code, new employees are given "Employee's Code of Conduct" and "Code of Integrity". For existing employees, they would be reminded on full content of "Code of Integrity", or under appropriate circumstance, provided with other trainings related to anti-corruption. In the reporting year, specialized trainings on integrity topics were organized, and relevant employees were required to participate. Training content included work-style development training, the signing of the Responsibility Statement on Commitment, Disclosure, Fulfilment and Evaluation, integrity and anti-corruption warning education, and thematic meetings on integrity building, among others. During the reporting period, there were 287 training participants in positions related to corruption risk amongst the operating regions covered by this Report, and such trainings amounted to a total of 770 hours.

In addition, with regard to the role and responsibilities of the directors, the Group arranged training materials for them on topics related to corporate governance, such as internal control and legal compliance matters, covering the following themes during the reporting year:

- Auditing, financial reporting and related internal control matters
- Internal control and planning for upcoming audit guidelines
- Important changes to exchange listing rules regarding climate-related disclosures

5.2.8. Community Investment

The Group has always been committed to fulfilling its corporate social responsibility by engaging with community stakeholders through various channels, understanding their needs, and providing necessary assistance. Over the years, the Group has contributed to multiple areas, including poverty alleviation, care visits, educational support, and environmental volunteer activities, demonstrating its dedication to social well-being. This year, the Group participated in a blood donation campaign, contributing six hours of volunteer service. Moving forward, the Group will continue to engage with community members and organizations, seeking more opportunities to give back through material donations and volunteer services, providing support and care to those in need.



Zhongshan Red Cross Society blood donation campaign

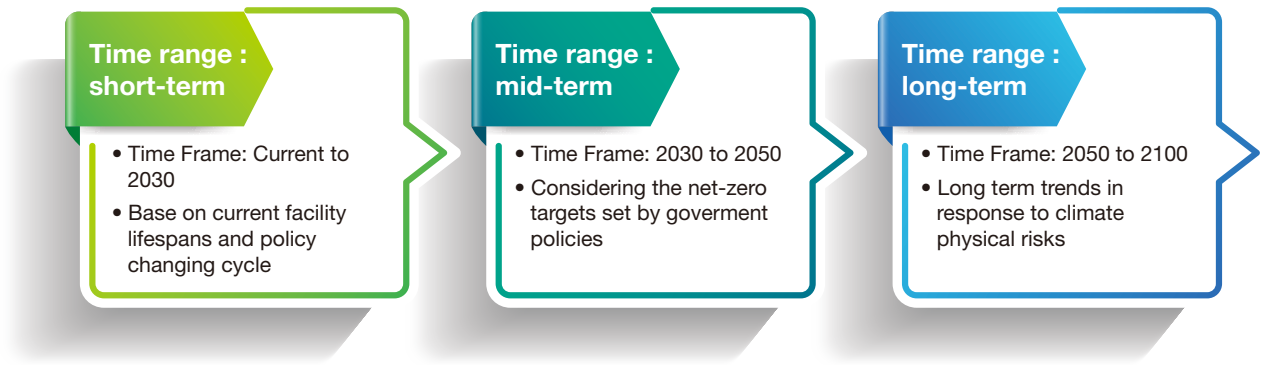
Climate-related Disclosure

6.1 CLIMATE TACTICS

The Group recognises that climate change may, across different time horizons, have potential impacts on its business operations, value chain arrangements, strategic decision-making and financial performance. In light of this, the Group has conducted a preliminary assessment of climate-related matters and, with reference to multiple climate scenarios across short-, medium- and long-term horizons, performed scenario analysis to identify and understand potential climate-related risks. The analysis covers both physical and transition risks: physical risks include potential impacts on operations arising from acute extreme weather events or chronic climate change, while transition risks primarily relate to impacts driven by climate-related policies, regulations, market shifts and other relevant factors.

6.1.1. Time Frame for Scenario Analysis

Based on the nature of the industry and the Group's climate objectives, we select appropriate time horizons to assess climate-related risks, set targets and inform strategic decisions, ensuring that the chosen horizons align with our comprehensive climate adaptation measures and direction. The definitions of the time horizons are as follows:



6.1.2. Risk Identification

In accordance with the HKEX reporting framework and informed by extensive peer benchmarking, the Group conducts regular assessments of climate-related risks by detailed risk category; on this basis, and taking into account the Group's business profile and development strategy as well as the priorities of internal and external stakeholders, we have analysed each risk category and its impacts across the short, medium and long term.

Climate-related risks are classified into two broad categories, transition risks associated with the shift to a low-carbon economy, and physical risks arising from the impacts of climate change, as set out below:

Transition Risks	Physical Risks
• Policy & Legal • Technology • Market • Reputation	• Acute • Chronic

6.2. CLIMATE SCENARIO & RESILIENCE

6.2.1. Climate Scenario

The Group conducts qualitative analyses of transition risks and physical risks following the International Energy Agency's ("IEA") Global Energy and Climate Model ("GEC Model") and the Intergovernmental Panel on Climate Change's ("IPCC") Sixth Assessment Report's Shared Socioeconomic Pathways ("SSP"). These analyses assess the Group's climate adaptability. Analytics help us understand the potential financial and business impacts of climate change so we can identify climate shortcomings, develop responses and strategies, and improve the resilience of our business models and value chains.

Conduct climate change scenario analysis	Assess the timing and extent of the impact of climate change on the company's operations
• Define two climate scenarios: low and high emissions • Incorporate international scenario models • Obtain qualitative parameters for each scenario respectively	• Based on the results of the scenario analysis, assess the short, medium and long-term impacts of climate-related risks and opportunities based on the business characteristics and geographical locations of the Group and its operating sites

Scenario analysis principle

To enhance the precision of our assessment of climate-related physical and transition risks, the Group applies a multi-scenario analysis framework. We conduct forward-looking evaluations for our principal operating regions under 1.5°C and 3°C global warming conditions across defined time horizons: short-term (2030), medium-term (2050) and long-term (2100).

For physical risks, we refer primarily to IPCC Shared Socioeconomic Pathways (SSPs) outlook scenarios:

- SSP1-2.6 – an ambitious mitigation and sustainable-development pathway that is closely aligned with the Paris Agreement's 1.5°C temperature goal;
- SSP3-7.0 – a high-emissions, regional-rivalry pathway associated with ~3°C or higher warming and more severe physical-risk outcomes.

For transition risks, we refer primarily to International Energy Agency (IEA) outlook scenarios:

- Net Zero Emissions by 2050 (NZE) – outlining a pathway to global net-zero by 2050 and its implications for the energy system, finance and industry, consistent with the Group's transition plan and decarbonisation commitments;
- Stated Policies Scenario (STEPS) – reflecting outcomes under implemented and announced policies, used to gauge exposure under the current policy environment and business conditions.

This scenario set ensures strong alignment between risk-assessment outputs and the Group's business planning, strategic direction, climate transition plan, and publicly disclosed medium- to long-term decarbonisation targets. It provides a scientific, robust analytical basis for developing targeted climate adaptation and mitigation strategies.

	Low emission scenario	High emission scenario
Scenario definition	Ambitious climate action limits global warming to 1.5°C or well below 2°C. Achieve carbon neutrality (net-zero) by 2050	Moderate greenhouse gas emissions, global warming is limited to 3°C. Maintain current emission levels by 2050
Reason for selection	Achieve net-zero greenhouse gas emissions by 2050 and limit temperature rise to 1.5°C above pre-industrial levels by 2100 Choose this scenario to assess the impact of ambitious climate action to meet the Paris Agreement's 1.5°C or well below 2°C targets, in which we will focus more on transition risks.	Maintain stable greenhouse gas emissions levels by 2050, reduce emissions levels by 2100, and limit temperature rise to 3°C or below This scenario is chosen to assess the impact of increased climate change due to the lack of effective climate action, in which we will focus more on physical risks.
Scenario narration	The world is aware of the severity of climate change and countries have stepped up climate action and immediately used drastic policy measures to reduce emissions with a view to limiting global warming to 1.5°C or well below 2°C by the end of this century. Technological advancements and increased awareness promote a low-carbon, low-energy transition, while the market shifts towards more climate-friendly production and consumption. Civil society and consumer attention to corporate climate action is also increasing.	Global climate action is slow and inconsistent, national policies are inadequate, and greenhouse gas emissions will remain at current levels by 2050. This results in a temperature increase of about 3°C by the end of the century. Technology and low-carbon transition are progressing gradually, and market and consumer behavior changes are limited. Extreme weather events (such as floods, heatwaves, and droughts) occur frequently. This increases the pressure on infrastructure and supply chains, and physical risks for businesses. Meanwhile, transition risks (such as carbon taxes) remain low due to weak policies. The calls for change from civil society have not result in systemic transformation.

	Low emission scenario	High emission scenario
Main references	IPCC SSP1-2.6: The world adopts strong climate policies and technological innovations, focusing on clean energy, achieving temperature-controlled target of 1.5°C or well below 2°C. IEA NZE: The rapid decarbonization of energy systems relies on renewable energy, electrification, and technological breakthroughs. That also requires strong international and national policy support. Society and consumers are paying more attention to corporate climate action.	IPCC SSP3-7: Insufficient climate policies and continued socio-economic development will result in a slow but insufficient decline in greenhouse gas emissions to achieve cooling targets, leading to a warming of approximately 3°C. Extreme weather events will increase significantly. IEA STEPS: Introduce new climate policies, emission levels will maintain or decline slightly by 2050, but is far from reaching the net-zero target. Global warming is trending towards 3°C or higher, and physical risks are intensifying.

6.2.2. Climate Resilience

The Group's management has identified and prioritised climate-related risks, and based on selected scenario analysis to conduct a questionnaire survey to understand their impact magnitude and time horizons. Variations in the survey results may stem from differing levels of awareness of climate issues and differences in professional judgement among managers. To address this, the Group will continue to strengthen climate awareness among management and employees.

Through climate scenario discussions, across the transition-risk and physical-risk dimensions, the Group identified the climate-related risks set out below for the short (1–3 years), medium (3–5 years) and long term (5–10 years), and analysed their potential impacts on the Group's operations. We have formulated targeted adaptation and mitigation measures for specific risks. The table below summarises the survey results.

Climate-related risks

Risk type	Risk	Scenario	Time Frame			Potential financial impact	Mitigation/adaptation measures
			Short term	Medium term	Long term		
Climate-related transition risks							
Policies and Legal	Enforcement of Carbon Tax/Trading	1.5°C	Low	Moderate	Moderate	• Carbon taxes or trading systems could drive up energy and emissions-related operating costs, which leading to an impact on overall profitability and cash flow.	• The Group used natural gas furnaces to replace coal-fired power plants, to reduce emissions. It installed solar energy systems to reduce reliance on traditional energy sources. It prioritized suppliers that meet environmental standards and planned to launch a climate performance incentive program to optimize the use of energy and improve long-term cost efficiency.
		3°C	Low	Low	Low		
	Reporting requirement enhancement	1.5°C	Low	Moderate	Moderate	• The action of enhancing reporting obligations may increase administrative and compliance costs. Failure to comply with in a timely manner may cause additional costs or regulatory risks.	• The Group established an annual emissions monitoring and reporting system according to the Stock Exchange's ESG guidelines. The Risk Committee is responsible for regular reviews. Environmental trainings for staff are organized, to enhance internal compliance awareness, thereby integrating climate factors into the ESG governance framework.
		3°C	Low	Low	Low		

Risk type	Risk	Scenario	Time Frame			Potential financial impact	Mitigation/adaptation measures
			Short term	Medium term	Long term		
	Mandatory regulation of existing products and services	1.5°C	Low	Low	Low	• Upgraded environmental standards may require product modifications, which leading to an increase of capital expenditures and potential sales delay.	• The Group conducts environmental testing on its products and invests in energy-saving equipment to optimize the use of energy. It employs a supply chain assessment mechanism to ensure compliance. It assigns the Policy Committee to oversee relevant policy modification.
		3°C	Low	Low	Low		
	Risk of litigation	1.5°C	Low	Low	Low	• Environmental litigation causes legal fees and potential liability costs, and drives up insurance premiums.	• The Group purchases full-coverage insurance for disasters to hedge risks and conducts regular compliance audits. The Policy Committee is responsible for overseeing ESG policies to prevent legal exposure.
		3°C	Low	Low	Low		
Technology	Replacing existing products and services with lower-emission alternatives	1.5°C	Low	Moderate	Moderate	• Obsolete products may lead to changes in market demand, thereby affecting revenue and competitiveness.	• The Group develops smart manufacturing technologies (including automated equipment) to optimize production processes, and invests in low-energy equipment to improve the environmental performance of its products.
		3°C	Low	Low	Low		

Risk type	Risk	Scenario	Time Frame			Potential financial impact	Mitigation/adaptation measures
			Short term	Medium term	Long term		
	Failure of new technology investments	1.5°C	Low	Moderate	Moderate	• Investment failures may lead to asset impairment or write-off, affecting returns on capital.	• The Risk Committee conducts annual reviews of technology investments, looks into renewable energy and heat recovery systems to explore feasibility and reduce emissions.
		3°C	Low	Low	Low		
	Transition cost to lower-emission technologies	1.5°C	Low	Moderate	Moderate	• Equipment upgrades may increase capital expenditures, which may impose pressure on profit margins in the short term.	• The Group converted into energy-saving equipment to optimize energy use. A waste recycling program reduced reliance on raw materials. The Group developed a climate transition plan to systematically manage transition costs.
		3°C	Low	Low	Low		
Market	Changing customer behaviour	1.5°C	Low	Moderate	Moderate	• Customers' preferences for green products may lead to order adjustments, thereby affecting sales revenue.	• The Group conducts market research to monitor trends and collaborates with customers to develop green transformation solutions. The Group invests in energy-saving equipment to meet low-carbon needs.
		3°C	Low	Low	Low		
	Uncertainty in market signals	1.5°C	Low	Moderate	Moderate	• Price fluctuations may increase raw material costs and affect profitability.	• We initiated diverse supply chain, maintained backup inventory to cope with fluctuations, and prioritized green procurement of low-carbon materials.
		3°C	Low	Low	Low		

Risk type	Risk	Scenario	Time Frame			Potential financial impact	Mitigation/adaptation measures
			Short term	Medium term	Long term		
	Rising raw material prices	1.5°C	Low	Moderate	Moderate	• Price fluctuations may increase raw material costs and affect profitability.	• We initiated diverse supply chain, maintained backup inventory to cope with fluctuations, and prioritized green procurement of low-carbon materials.
		3°C	Low	Low	Low		
Reputation	Shifts in consumer preferences	1.5°C	Low	Moderate	Moderate	• Negativity bias can damage brand value and affect sales.	• The Group conducts stakeholder surveys to gather opinions and accurately discloses progress in the annual ESG report. It develops environmental training to enhance the ability and supply chain awareness of employees.
		3°C	Low	Low	Low		
	Increased stakeholder scrutiny or negative stakeholder feedback	1.5°C	Low	Moderate	Moderate	• Negative feedback can affect investor confidence and increase financing costs.	• The Policy Committee is responsible for responding to stakeholder concerns. The annual ESG report serves as a communication platform to reconfirm the Group's commitment to sustainability.
		3°C	Low	Low	Low		

Risk type	Risk	Scenario	Time Frame			Potential financial impact	Mitigation/adaptation measures
			Short term	Medium term	Long term		
Climate-related physical risks							
Acute	Occurrence of extreme weather events	1.5°C	Low	Low	Low	• Asset damage, operational disruptions, and increased insurance costs result in direct economic losses.	• The Group enhanced the factory structure and fixed equipment. It purchased disaster insurance, equipped itself with flood prevention and emergency supplies and plans. The Group installed large fans to cope with heat waves and conducted drills and training for all employees in adverse weather.
		3°C	Low	Low	Low		
Chronic	Changes in rainfall patterns and extreme weather events	1.5°C	Low	Low	Low	• Supply chain disruptions can drive up costs and reduce production efficiency.	• The Group monitors weather patterns and supplier risks, maintains backup inventory, implements wastewater reuse systems and conducts market research, in order to predict trends.
		3°C	Low	Low	Low		
	Rising in average temperature	1.5°C	Low	Low	Low	• Rising energy demand may increase operating costs. Employee health issues may affect productivity.	• Adjust production schedules to avoid heat waves, invest in energy-saving equipment and solar energy systems to reduce reliance on energy, as well enhance trainings for employees to improve their adaptability.
		3°C	Low	Low	Low		

Limitations

In 2025, with reference to the HKEX ESG Code and IFRS S2, the Group established a climate disclosure framework informed by international climate regulations (e.g., China's "30-60" carbon neutrality targets), industry practice, and current scientific research. Scenario analysis has inherent limitations and cannot fully capture all potential climate risks and opportunities. Results are influenced by data quality, the robustness of assumptions, and technical constraints. We will monitor emerging risks, refine our analytical approach, and welcome stakeholder feedback to enhance the accuracy and reliability of future disclosures.

Future Improvements

The Group is at an early stage of climate-related disclosure. This report does not yet provide a quantitative assessment of the short-, medium-, and long-term financial impacts of climate risks (e.g., typhoon damage, carbon tax exposure) and opportunities (e.g., expansion in solar). Looking ahead, we will strengthen scenario analysis capabilities and progressively introduce quantitative models to assess the potential scale and probability of financial impacts. We will also evaluate financial flexibility and develop targeted response strategies for key impacts identified. Building on this, we will formulate a comprehensive climate transition plan to improve climate adaptation and resilience and support sustainable business development.

Climate-related Opportunities

Despite challenges, the Group actively identifies long-term opportunities arising from climate change. As the global low-carbon transition accelerates and investor demand for sustainable investment grows, allocations to climate-resilient assets aligned with net-zero pathways are expanding. We closely monitor renewable energy, clean technologies, green financing instruments, and sector leaders with strong environmental performance for potential investment value. Climate considerations are integrated into our investment decision-making framework, enabling us within a controlled risk appetite to capture long-term opportunities in both climate mitigation and adaptation.

We also note rising client interest in climate topics. In response to market dynamics and client needs, we will consider expanding our product and service suite, such as additional green investment products or ESG-integrated strategies, to better align with sustainable investment trends and balance long-term value creation with climate-related opportunities.

Current financial impact

During the reporting year of 2025, the Group identified and quantified certain climate-related current financial impacts based on available information. Such impacts mainly affect energy-related asset allocation, green energy revenue, and capital expenditures caused by extreme weather. Other potential climate-related financial impacts (including regulatory costs, carbon pricing, financing and insurance impacts) were not material during the reporting period or lacked a reliable quantitation basis, so the Group did not disclose a specific amount currently, and the reason for non-disclosure would be explained in accordance with applicable disclosure principle.

i. *Climate-related impact on revenue*

During the reporting period, the Group only identified the climate-related quantifiable revenue for Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd., which was mainly attributable to the revenue from photovoltaic electricity:

- The quantifiable revenue for the entire year of 2025 is approximately RMB321,225.65;
- Relevant revenue amounting to approximately RMB320,000 will be carried forward to the next reporting year.

Other than the aforementioned items, other subsidiaries did not identify any independently quantifiable revenue from green products or services during the reporting period, nor were they considered to have a significant impact on the Group's overall revenue.

ii. *Capital and operating expenditures related to extreme weather*

In 2025, the Group only recorded quantifiable capital expenditures directly related to extreme weather events for Fong's National Engineering (Guangdong) Co., Ltd. Because of the impact of typhoon, the Company recorded an expense for equipment replacement in Cuicheng New District, Zhongshan City and corresponding measure, that amounted to approximately RMB11,307.64.

Other than the above-mentioned items, the Group did not record any other significant operating or capital expenditures arising from extreme weather events during the reporting period.

iii. *Value of assets related to energy usage*

In 2025, the Group disclosed the value of certain production and operating assets related to energy use, primarily held by the following subsidiaries:

Tycon Alloy Industries (Zhongshan) Co., Ltd.:

- Production assets for using fossil fuels (such as steam boilers and roasting furnaces) that amounted to approximately RMB2,712,100;
- Production assets for using low-carbon energy (such as medium-frequency melting furnaces and heat treatment furnaces) that amounted to approximately RMB8,956,800.

Monforts Fong's Textile Machinery (Zhongshan) Co., Ltd.:

- The operating assets for using fossil fuels (such as forklifts, paint booths, and commercial vehicles) that amounted to approximately RMB792,300.

The above data reflects that the Group's certain subsidiaries have already acquired low-carbon energy-related equipment at the asset allocation level, and the relevant amount can serve as a basis for future assessment of transformation risks and opportunities.

iv. Climate-related regulations, carbon pricing and compliance costs

During the reporting year of 2025, the Group did not identify any quantifiable expenditures arising from climate-related laws and regulations, carbon trading, carbon taxes or the purchase of carbon credits, nor did it record any related fines or compensatory costs.

v. Green/sustainable financing and government subsidies

During the reporting period, the Group did not disclose any quantified amounts of green financing, sustainable financing or specific climate-related government subsidies.

Expected financial effect

The Group has conducted multi-scenario analysis and made an initial attempt to map physical and transition risks to potential financial impacts. However, given uncertainties in external scenario parameters (including policy pathways, technology cost curves and variability in regional climate projections), the granularity of internal data and the current maturity of our models, we consider that a sufficiently robust basis is not yet in place to produce specific quantitative forecasts or range estimates of future financial impacts.

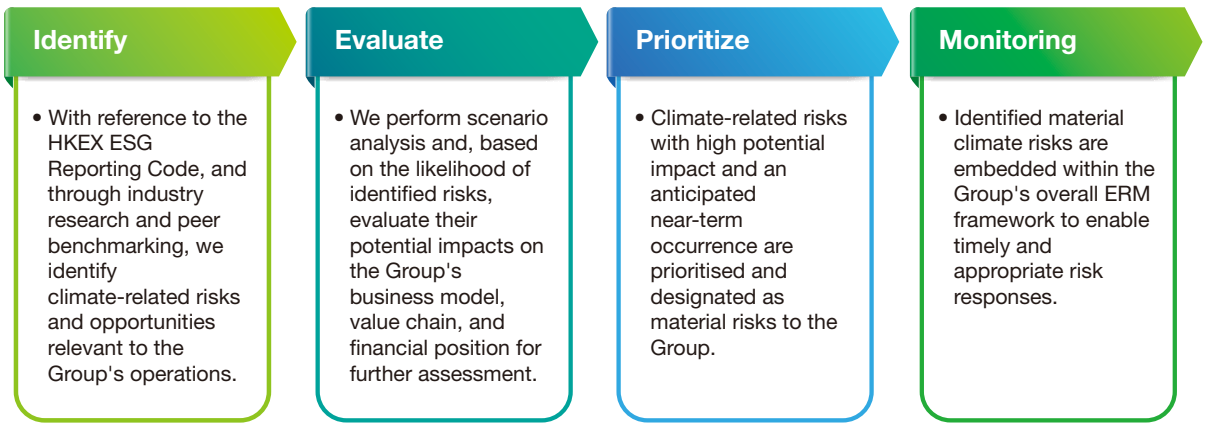
- Accordingly, this report does not, at this stage, disclose estimated financial impact amounts of climate-related risks and opportunities on profit or loss, the balance sheet, cash flows or capital requirements over the medium and long term.
- The Group will adopt a prudent and incremental approach and continue to enhance its methodologies, with a focus on:
    - o further improving correlation analysis between historical loss data and climate events;
    - o strengthening model benchmarking against international peers and professional institutions;
    - o introducing quantified outputs in an orderly manner once internal and external conditions are more mature and uncertainty around key assumptions has materially decreased.

We are committed to the highest standards of transparency and prudence, and will disclose the relevant estimated financial impacts in subsequent reports once a reliable and verifiable quantitative basis is available. At this stage, our analysis remains primarily qualitative, and climate-related uncertainties are treated as a key consideration in strategic planning and risk management.

6.3 CLIMATE RISK MANAGEMENT

The Group has established an integrated enterprise risk management (ERM) framework to regularly identify, evaluate, prioritize, and monitor climate-related risks. Under this framework, climate risk analysis is conducted at least annually, with results submitted to the Board of Directors and the Sustainability Taskforce for review.

During the reporting period, we identified several climate-related risks with potential impacts on our business, including transition risks and physical risks. The Group manages these risks through our governance structure and cross-functional collaboration, applying a combined qualitative and quantitative approach to ensure effective control and to support sustainable business development.



6.4 CLIMATE METRICS & OBJECTIVES

The Group has established climate indicators and targets for GHG emissions, energy consumption, water management and renewable energy generation to effectively track the performance of climate-related risks and opportunities, and to monitor progress in managing such risks and opportunities, thereby supporting the Group's alignment with international climate goals and contributing to the transition to a low-carbon economy.

6.4.1. Objectives

We have set decarbonisation and energy-efficiency targets to be achieved by or before FY2034, using FY2024 as the baseline, with the boundary broadly consistent with this report. We have formulated corresponding management strategies to achieve the decarbonisation targets. To demonstrate our determination to transition to a low-carbon economy, we will progressively reduce greenhouse gas emissions and contribute to global efforts to limit the temperature rise to below 1.5°C.

GHG Emission Reduction Target

	Unit	10-year target*	2025 Progress
GHG Emission Intensity	tCO_2e/tonne	10% reduction	65% reduced

Note:

* Baseline Year (2024): 1.97 tCO_2e/tonne

6.4.2. Metrics

In 2025, the Group continued to regard "energy transition, process optimization and management improvement" as its core direction. It systematically promoted the reduction of greenhouse gas and air pollutant emissions. The relevant measures have gradually transformed from the planning stage into concrete results, and the overall progress is in line with the annual emission reduction plan.

For energy structure, the Group continues to expand the proportion of clean energy applications, replacing traditional high-emission fuels with natural gas in its production facilities. It also improves combustion efficiency by enhancing furnace sealing and adopting high-efficiency combustion devices, thereby reducing carbon dioxide emissions at the source. Meanwhile, solar energy applications have moved from the demonstration phase to large-scale implementation. Solar power generation was officially introduced in 2025, and a medium-term target of using approximately 3 million kilowatt-hours of solar power by 2026 has been set, which laying the foundation for continued carbon reduction in the future.

For energy efficiency, the Group continues to implement vehicle fuel and facility electricity management measures. By improving equipment energy efficiency, enhancing energy monitoring and promoting energy-saving management in its operation, vehicle fuel consumption and office/equipment electricity consumption will decrease by the predetermined proportion in 2025, which reflects the energy-saving measures having produced a substantial result.

Climate-related Disclosure

Overall, the emissions reduction performance in 2025 demonstrates that the Group has gradually moved from “single-measure improvement” to “systematic carbon reduction management", with various energy, process, and management measures complementing each other to provide a solid foundation for medium- and long-term greenhouse gas reduction targets. Going forward, the Group will continue to monitor emissions reduction effectiveness and optimize strategies based on actual operating conditions, to ensure consistency of emissions reduction progress with the Company's sustainable development targets. The table below discloses the greenhouse gas emissions generated from each source during the reporting period, and the greenhouse gas emission intensity calculated based on production volume:

Total GHG emission[6]	Direct GHG emission[7] (Scope 1)	Energy Indirect GHG emission[8] (Scope 2)	GHG emission intensity[9]
27,778.61 tonnes CO_2 equivalent	**6,757.86** tonnes CO_2 equivalent	**21,020.75** tonnes CO_2 equivalent	**1.44** tonnes CO_2 equivalent/ tonne

6 Global Warming Potential (GWP) adopted in this GHG calculation were based on the values disclosed in the Sixth Assessment Report (AR6) of Intergovernmental Panel on Climate Change (IPCC).

7 Direct GHG emission was mainly originated from fuel combustion by vehicles, and consumption of diesel oil / gasoline, natural gas, acetylene and refrigerants (R-134a) by manufacturing facilities. Method of calculation was based on “2006 IPCC Guidelines for National Greenhouse Gas Inventories”.

8 Energy indirect GHG emission was originated mainly from consumption of electricity purchased from external source. Regional grid emission factors used in the calculation were referenced to the values issued by National Development and Reform Commission (NDRC) in People’s Republic of China.

9 The base for calculation of emission intensity is the total production units (in weight of tonne) from both business for manufacturing of dyeing and finishing machines and business for stainless-steel casting production.

10 The emission has been revised from 19,039 liters to 57,051 liters.

11 The emission was revised from 1,994,405 cubic meters to 2,105,168 cubic meters.

Main sources of GHG emission	Year 2025	Year 2024
Diesel oil consumption (litres)	**20,514**	13,264
Gasoline consumption (litres)	**84,235**	57,051
Natural gas consumption (m^3)	**1,983,143**	2,105,168
Acetylene consumption (kilograms)	**2,346**	313
Refrigerant (R-134a) consumption (kilograms)	**1,424**	959
Electricity consumption (kWh)	**39,616,950**	44,386,469

In 2025, the Group's total greenhouse gas emissions amounted to 27,778.61 tonnes CO_2 equivalent, representing a decrease of approximately 7.3% compared to 29,978 tonnes CO_2 equivalent in 2024. For emission structure, indirect greenhouse gas emissions from energy sources (Scope 2) decreased by 11.7% year-on-year in 2025, reflecting the substantial effectiveness of improved energy efficiency and optimized energy structure. During the same period, direct greenhouse gas emissions (Scope 1) increased slightly due to the use of fuel. The Board noted that, the overall emission intensity decreased from 1.97 to 1.44 tonnes CO_2 equivalent per tonne of production, representing a decrease of approximately 26.9%, demonstrating that the Group has successfully reduced the carbon intensity per unit of output while expanding its operations. These results reflect that the Group established a preliminary monitoring mechanism for climate-related indicators and regularly assessed the changing trends in energy use and greenhouse gas emissions. The Group will continue to improve its data management and internal monitoring processes, gradually promote the compliance with IFRS S2 requirements, and take reducing emission intensity and optimizing energy structure as the core direction of its climate management in medium-term.

Climate-related Disclosure

	Unit	Year 2025	Year 2024
Direct GHG emission (Scope 1)	tonnes CO_2 equivalent	**6,757.86**	6,160
Energy Indirect GHG emission (Scope 2)	tonnes CO_2 equivalent	**21,020.75**	23,817
Total GHG emission	tonnes CO_2 equivalent	**27,778.61**	29,978
GHG emission intensity	tonnes CO_2 equivalent/tonne	**1.44**	1.97

Internal carbon pricing

The Group is actively exploring the application of an internal carbon pricing mechanism to support the financial assessment of climate-related risks and opportunities and to facilitate the transition to a low-carbon economy.

Remuneration

The Group is actively considering integrating climate-related performance into remuneration policies to incentivize management and employees to advance sustainability objectives.