RAYMOND Industrial Ltd
利民實業有限公司

Stock Code 股份代號：00229



# 2025

## Environmental, Social and Governance Report

## 環境、社會及管治報告

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# Introduction

## Statement of the Directors

Raymond Industrial Ltd. ("**Raymond**" or the "**Group**") was established more than half a century ago and has been adhering to the long-termism philosophy of "safeguarding value for the next generation". The Board of Directors (the "**Board**") firmly believes that sound environmental, social and governance ("**ESG**") performance is not only a reflection of the enterprise's fulfillment of social responsibilities, but also a crucial foundation for ensuring the Group's long-term and stable operation, enhancing risk resilience and maintaining stakeholders' trust. The Board bears ultimate responsibility for the Group's ESG-related matters and continuously oversees the formulation, implementation and performance of the ESG strategy, as well as the completeness and accuracy of information disclosure.

During the reporting period, the Board has systematically integrated ESG and climate-related issues into the Group's overall strategic planning, risk management and operational decision-making processes, ensuring that sustainable development and business growth goals are integrated and advanced in synergy. The Board regularly reviews special reports submitted by management on environmental protection, employee well-being, compliant operation, community engagement, and climate change risks and opportunities, and deliberates on and issues instructions regarding relevant policies, objectives and improvement measures.

The Group has identified and assessed climate-related physical risks, transition risks and development opportunities in accordance with the IFRS S1 and S2 (formerly TCFD) frameworks. Through various measures such as energy conservation and emission reduction, cleaner production, the application of renewable energy, pollution control and emergency management, the Group has continuously mitigated the potential impacts of climate change on its business operations and asset safety.

# Social Responsibility

In respect of social responsibility, the Board attaches great importance to employees' health and safety, career development, welfare protection and the safeguarding of legitimate rights and interests, and has continuously improved the occupational health and safety management system and employee care mechanisms. Meanwhile, the Group actively fulfills its corporate citizenship responsibilities and gives back to society through diverse forms such as community investment, agricultural support initiatives and targeted consumption assistance, so as to promote the harmonious and integrated development of communities and the enterprise.

## Corporate Governance

In respect of corporate governance, the Board upholds high standards of business ethics and the principle of compliant operations, and has continuously enhanced institutional arrangements including anti-corruption, risk management, internal control, information security and data protection, so as to ensure that the Group's operations comply with applicable laws, regulations and regulatory requirements and safeguard the legitimate rights and interests of shareholders and all stakeholders.

The Board confirms that the ESG information disclosed in this report has been collected, compiled and reviewed by management in accordance with established internal control systems, and has been reviewed and approved by the Board. The Board is confident that the content of this report is true, accurate and complete in all material respects and complies with the Hong Kong Stock Exchange's ESG Reporting Guide and relevant disclosure requirements.

## About This Report

This report is the Environmental, Social and Governance ("**ESG**") Report issued by Raymond Industrial Ltd. ("**Raymond**" or the "**Company**"; together with its subsidiaries, the "**Group**"). It aims to disclose to shareholders, investors, customers, employees, suppliers, government authorities and the general public the Group's management policies, implementation measures, performance and continuous improvement directions in environmental protection, social responsibility and corporate governance during the Reporting Period.

Through the systematic disclosure of ESG information, the Group enhances operational transparency, demonstrates its commitment to and achievements in sustainable development, and responds to the concerns and expectations of various stakeholders regarding the Group's sustainable development. This report covers the period from 1st January to 31st December 2025. Unless otherwise stated, all information and matters disclosed in this report relate to the Reporting Period.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**", latest applicable version 2025) and the "mandatory disclosure requirements" and "comply or explain" provisions under the Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"); International Financial Reporting Standard ("**IFRS**") S1 General Requirements for Disclosure of Sustainability-related Financial Information; IFRS S2 Climate-related Disclosures; relevant standards of the Global Reporting Initiative ("**GRI**") (serving as supplementary references); and applicable national and local laws and regulations on the environment, labor, safety and compliance.

## Reporting Principles of This Report

This report has been prepared based on the following five reporting principles:

| Principle | Description |
|---|---|
| Materiality | This report focuses on the disclosure of ESG topics that have a significant impact on the Group's business development and its various stakeholders. |
| Quantitative Indicators | Where practicable, environmental and social performance is presented in the form of quantitative data in this report. |
| Consistency | The methodologies adopted in this report are consistent with those of previous years to facilitate meaningful year-on-year comparison of ESG data. Any changes in calculation boundaries, methodologies, key performance indicators or other relevant factors shall be disclosed. |
| Verifiability | Appropriate internal records are maintained for all disclosed information, which is subject to internal audit and external verification. |
| Balance | The Board is committed to objectively presenting the Group's overall performance in environmental, social and governance aspects in this report, disclosing both achievements and areas for improvement where applicable. |

The Board has reviewed and approved the content of this report, and confirms that the ESG information disclosed herein has been collected, compiled and verified by the management in accordance with established internal control and data management processes. The Board is confident that this report is true, accurate and complete in all material respects, and complies with the ESG Reporting Guide of the Stock Exchange and relevant disclosure requirements.

# About The Group

## Overview

Raymond Industrial Ltd. (the "**Group**") is a household appliance manufacturer listed on the Main Board of The Stock Exchange Hong Kong Limited (the "**Stock Exchange**"), with a long-standing focus on the design and development, production and sales of household appliances and related products. With decades of industry experience and a solid operational foundation, the Group has established a mature business model and built a sound market reputation in terms of product quality, operational management and customer partnerships.

The Group adheres to steady operation as its core principle, continuously optimizes its internal management system, improves operational efficiency, and is committed to achieving sustainable development under the premise of compliant operation. As a listed company, the Group attaches great importance to corporate governance, risk management and information disclosure, and strictly complies with applicable laws, regulations and regulatory requirements to ensure transparent and orderly business operations and safeguard the long-term interests of shareholders and other stakeholders.

In terms of sustainable development, the Group recognizes that corporate development is inseparable from social and environmental responsibilities. The Group has integrated environmental protection, employee well-being, supply chain management, community responsibility and other issues into its overall management framework, and gradually promoted the integration of the sustainable development concept into daily operations and decision-making processes. Through continuous review and improvement of relevant policies and practices, the Group is committed to delivering positive impacts on society and the environment while creating economic value.

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange. It aims to disclose the Group's management philosophy, key measures and actual performance in environmental, social and governance aspects during the reporting period to stakeholders, so as to enhance information transparency and support stakeholders' understanding and evaluation of the Group's sustainable development efforts.

## Quality and Management System

The Group has fully established its own quality management system in accordance with the following international management standards, which has been duly certified by the relevant certification bodies and effectively implemented in the Group's operations.

- ISO 9001 (Quality Management System)
- ISO 14001 (Environmental Management System)
- ISO 13485 (Quality Management System for Medical Devices, where applicable)
- ISO 27001 (Information Security Management System)
- AEO (Advanced Economic Operator)

The Group adopts a multi-layered oversight mechanism consisting of internal reviews and third-party audits to ensure its various systems continuously meet standard requirements, enhancing its management standards through the PDCA (Plan Do Check Act) continuous improvement cycle.

# Enviroment Responsiblity and Green Operations

## Environmental Management System and Compliance of Green Operations

### Environmental Management System (ISO 14001)

The Group has established and continuously maintained an effective Environmental Management System ("**EMS**") in compliance with the international standard ISO 14001:2015.

The system fully covers core environmental management aspects including manufacturing, equipment operation, energy consumption, waste gas treatment, waste water treatment, general solid waste disposal, and full-cycle management of hazardous waste, achieving deep integration of environmental management and production operations.

Upon the establishment of a closed-loop management mechanism of "system establishment – process integration – responsibility implementation – supervision and assessment", the Group systematically embeds environmental protection requirements into the entire business chain including R&D, procurement, production and logistics. It clarifies the environmental management responsibilities and accountability mechanisms of the Board of Directors, senior management and various business units, ensuring the implementation of environmental requirements from top to bottom.

During the reporting period, the Group conducted internal audits of the environmental management system (covering all core production bases and functional departments) and management reviews in strict accordance with the annual plan, focusing on reviewing the achievement of environmental objectives, regulatory compliance, operational efficiency of environmental protection facilities and the implementation effectiveness of continuous improvement measures. Audit reports were issued and follow-up rectification was completed in a closed-loop manner.

Meanwhile, the Group underwent annual surveillance audits by authoritative third-party certification bodies and supply chain environmental audits by key customers. All audit results demonstrated the continuous effective operation of the system with no major non-conformities identified.

Through continuous optimization of the system, the Group's environmental risks have been effectively controlled, all pollutant emissions have stably met standards, and environmental performance has improved year by year.

### Environmental Compliance Management and Audit

The Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Measures for the Administration of Hazardous Waste Operation Licenses, as well as applicable local environmental protection regulations, pollutant discharge permit requirements and other applicable laws, regulations and regulatory provisions.

The Group has established a dynamically updated environmental compliance inventory and a compliance obligation identification mechanism. It reviews updates to national and local environmental protection regulations on a quarterly basis, decomposes new compliance requirements into relevant business units and management processes, and ensures implementation through internal training, on-site guidance and other means.

During the reporting period, the Group did not incur any major administrative penalties, environmental litigation or material adverse environmental incidents resulting from environmental violations ("**materiality**" is defined by reference to the Hong Kong Stock Exchange's (HKEX) ESG Reporting Guide and the Group's internal risk classification standards).

The Group actively cooperated with daily supervision inspections and special law enforcement inspections by ecological and environmental authorities at all levels. It established a ledger for improvement proposals raised during inspections and achieved 100% completion of rectification and acceptance.

In addition, the Group successfully passed environmental compliance special audits conducted by key customers and third-party bodies. All audit results met applicable requirements, and no material environmental compliance risks were identified.

## Environmental Risk Identification and Management

In accordance with the ISO 31000 risk management standard, the Group has established a full-cycle environmental risk management system featuring "risk identification – assessment and grading – control implementation – monitoring and review". Through regular risk inspections, special risk assessments, online monitoring and other methods, the Group systematically identifies potential environmental risks throughout the entire production and operation process.

Key environmental risks under focus include: risks of excessive emissions of waste gas, including volatile organic compounds (VOCs), particulate matter, etc., risks of untimely treatment or non-compliance of production wastewater, non-compliance risks in the storage, transfer and disposal of hazardous waste, operational stability risks caused by malfunction of environmental protection facilities, and risks of leakage/pollution diffusion triggered by extreme weather, among others. For identified risks, the Group adopts a likelihood-impact risk matrix to classify risks into three levels (high, medium and low), and formulates differentiated control measures for risks of different levels:

- **High-level risk:** Establish special task forces, develop emergency response plans and conduct regular drills, and implement real-time online monitoring;
- **Intermediate risk:** Define responsible departments and rectification timeframes, establish special control procedures, and conduct regular risk reviews;
- **Low-level risk:** Integrate into the routine management system, and ensure risk controllability through daily inspections and quarterly reviews.

During the reporting period, the Group did not experience any major environmental risk incidents. All levels of risks remained under effective control. Through continuous optimization of risk identification indicators and control procedures, the Group has further enhanced its capability in environmental risk prevention.

# Green Operations

## Photovoltaic Power Generation Project

The photovoltaic power generation project was officially commissioned and put into operation at the Group's Nansha factory (the "**Factory**") in 2025, achieving stable grid-connected operation throughout the year.

In 2025, the project generated a total of 2.6902 million kilowatt-hours (kWh) of electricity, accounting for 10.04% of the Group's total electricity consumption, and reduced carbon dioxide emissions by 1,497.9 tons.

This has effectively reduced total greenhouse gas emissions and provided clean energy support for the Group's green and low-carbon development.



### Power Consumption Summary Table

| Item | Total consumption | PV Power | Percentage |
|---|---|---|---|
| Power consumption ('000 Kwh) | 2,679.30 | 269.02 | 10.04% |
| **Classification** | **Grid power cost** | **PV power cost** | **Cost reduction** |
| Cost (RMB'000) | 1,785.90 | 129.13 | 82.05 |
| **Classification** | **Total emission** | **PV Power emission** | **Emission reduction** |
| Carbon Emissions (tons) | 13,345.5 | 0 | 1497.9 |

## Cleaner Production Honors

Following the recognition as local "Clean Production Enterprise", the Group's headquarters and the Factory were both titled once again as Guangdong-Hong Kong Cleaner Production Partner (Manufacturing Industry). This award is jointly conferred by the Environmental Protection Department of the Hong Kong Special Administrative Region and the Department of Industry and Information Technology of Guangdong Province, serving as an authoritative endorsement of the Group's simultaneous practice of clean production and fulfillment of environmental responsibilities in both Guangdong and Hong Kong.


「粤港清洁生产伙伴」标志计划
Hong Kong - Guangdong Cleaner Production Partners Recognition Scheme
粤港清洁生产伙伴（制造业）
Hong Kong - Guangdong Cleaner Production Partner (Manufacturing)
This is to certify that
公司名称 Name of Enterprise: 利民实业有限公司 Raymond Industrial Ltd.
厂房名称 Name of Factory: 利民(番禺南沙)电器发展有限公司 Raymond (Panyu Nansha) Electrical Appliances Development Co. Ltd.
厂房地区 Location of Factory: 广州南沙经济技术开发区 Nansha Economic & Technological Development District, Guangzhou
have fulfilled the requirement for Hong Kong - Guangdong Cleaner Production Partner (Manufacturing) and demonstrated a high commitment to cleaner production

## Continuous Upgrading of Waste Gas Treatment Systems

The Factory has increased investment in environmental protection technologies and completed the upgrade of its original "UV photolysis plus activated carbon" waste gas treatment system, which has been completely replaced by a two-stage activated carbon adsorption process.

The new system can effectively reduce the emission concentration of volatile organic compounds (VOCs) and significantly improve air quality in and around the factory premises, fully demonstrating the Group's firm determination to continuously optimize environmental governance and honor its environmental commitments.



## Water Conservation

The Group makes every effort to reduce water consumption and conserve water resources through river water desalination.

Locating along the Pearl River in Guangzhou, the Factory has installed desalination treatment towers, enabling the use of recycled river water for cooling in injection molding and other production processes.

These water conservation actions have achieved a **water reuse rate of 70%**.

## Electrification of Forklifts

In response to the national call for green and low-carbon development, the Group purchased 3 electrical forklifts, completely replacing the gas-powered forklifts.

This equipment replacement has not only effectively reduced carbon emissions and energy consumption in the production process, but also improved the safety and efficiency of on-site logistics operations simultaneously, facilitating the transformation of the production model toward low-carbon and high-efficiency.



## Paperless Office and Informatization-Driven Energy Conservation

The Group has continued to phase in paperless office practices. By optimizing internal management processes and deepening the application of electronic management systems, a substantial reduction in office paper consumption has been achieved. In 2025, the total paper usage amounted to approximately 373,500 sheets. Besides reducing operating costs, this initiative has further cut resource consumption and deeply integrated the green and low-carbon philosophy into daily operations.

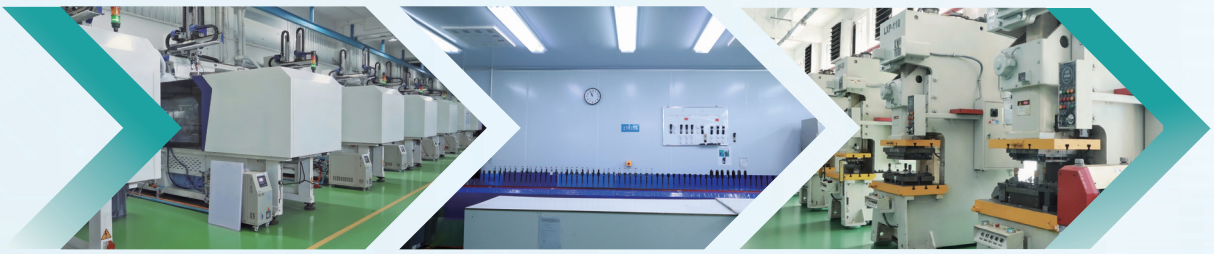
## Upgrading of Production Facilities

The Group has always anchored innovation-driven and sustainable development as its core directions, continuously promoting the iteration and upgrading of production infrastructure.

Through hardware renewal, the Group has optimized the production operation environment and comprehensively enhanced the overall operational management image of the enterprise.

In 2025, the Factory continued the renovation and upgrading of hardware facilities in core production departments, including assembly, injection molding, hardware processing, and surface treatment.

This has improved the safety, comfort and compliance of the on-site operation environment, realized an overall upgrade and renewal of the factory's appearance, and laid a solid foundation for the improvement of production operation efficiency and the upgrading of the management system.



## Production Efficiency Improvement

To align with the global trend of green economic transformation, the Group has firmly advanced the modernization and automation upgrade of the production equipment, promoting the deep integration of production efficiency enhancement and green environmental protection technologies, and accelerating the transition to an efficient, low-carbon and lean modern operation model.

In 2025, the Factory further increased investment in core equipment, specifically focusing on the renewal of injection molding equipment, the construction of a new dust-free automatic spraying workshop for surface treatment, and the automation of the hardware workshop production lines.

This round of equipment and facility upgrades has delivered three core benefits:

- Firstly, it has significantly improved production efficiency and product quality stability in core processes, strengthening the core competitiveness of products;
- Secondly, it has effectively reduced energy consumption and environmental impact across the entire production process, upholding the concept of green production;
- Thirdly, it has strengthened the production technology support system, injecting core technological momentum into the Group's sustainable development.



## Energy conservation and Emission Reduction

The Group has also adopted effective energy-saving solutions to reduce energy consumption, such as replacing metal halide lamps with LED lights and gasoline vehicles with electric vehicles to lower carbon emissions, as shown in the tables below:

### Vehicle Emission Data

| Vehicle Type | Nitrogen Oxides (NOx) (g) | Sulfur 0xides (SOx) (g) | Particulate Matter (PM) (g) |
|---|---|---|---|
| Private car | 8,655.32 | 172.60 | 456.29 |

### Carbon Dioxide Emissions Data

| Category | Year 2025 | Year 2024 | 2025 vs. 2024 (%) |
|---|---|---|---|
| Electricity (Thousands of tons of carbon dioxide) | 18.92 | 20.24 | -6.52% |
| Oil (Thousands of tons of carbon dioxide) | 0.010 | 0.010 | 0% |
| Gas (Thousands of tons of carbon dioxide) | 0.012 | 0.015 | -21.47% |
| Total carbon dioxide emissions (Thousands of metric tons) | 18.94 | 20.27 | -6.56% |

### Total Energy Consumption

| Category | 2025 | 2024 | 2025 vs. 2024 (%) |
|---|---|---|---|
| Electricity (Gigawatt-hours) | 24.10 | 25.78 | -6.52% |
| Oil (tonnes) | 2.57 | 2.18 | 17.89% |
| Gas (kg) | 6,320.00 | 8,048.00 | -21.47% |
| Water consumption (Thousands of cubic meters) | 166.87 | 206.87 | -19.34% |
| Total amount of packaging materials used for finished products (tonnes) | 2,912.43 | 4,199.18 | -30.64% |

By implementing the above pragmatic and effective environmental protection initiatives, the Group has earnestly fulfilled its corporate commitment to advancing the development of a green economy, demonstrating its firm determination to create long-term value for society and the ecological environment.

In the years ahead, the Group will continue to uphold the philosophy of sustainable development, strictly discharge its primary responsibility for environmental protection, and contribute to the construction of an eco-friendly society and the green transformation of the industry.

## Summary of Carbon Emission of 2025 (SGS Standards)

| Category | | Year 2025 |
|---|---|---|
| | | Emissions (ton) |
| **Scope1** | | **270.64** |
| **Scope2** | | **13,420.66** |
| **Scope3** | S3-1 Outsourced goods and services | 26,200.36 |
| | S3-2 Capital goods | 52.12 |
| | S3-3 Fuel-and energy-related goods and services | 4,687.45 |
| | S3-4 Upstream transportation and distribution | 69.90 |
| | S3-5: Waste generated in operations | 8.74 |
| | S3-6 Business travel | 77.79 |
| | S3-7 Employee commuting | 87.80 |
| | S3-8 Upstream leased assets | 0 |
| | S3-9Downstream transportation and distribution | 110.93 |
| | S3-10 Processing of sold products | 0 |
| | S3-11 Use of sold products | 430,740.39 |
| | S3-12: End-of-life treatment of sold products | 0 |
| | S3-13 Downstream leased assets | 0 |
| | S3-14 Franchises | 0 |
| | S3-15 Investments | 0 |
| | Sub-total (Scope 3): | **462,035.48** |
| | Total (Scope 1 + 2 + 3): | **475,726.78** |

## 2025 vs. 2024 Carbon Emission Comparison (SGS Standards)

| Category | Year 2025 | Year 2024 | 2025 vs. 2024 (%) |
|---|---|---|---|
| | Emissions (ton) | Emissions (ton) | |
| **Scope1** | 270.64 | 296.31 | **-8.70%** |
| **Scope2** | 13,420.66 | 14,355.74 | **-6.52%** |

Description (SGS standard):

Scope1 covers diesel, natural gas, forklift gas, liquefied petroleum gas, propane, acetylene, and gas oil.

Scope2 (external power procurement) adopts the "2021 National Electricity Emission Factor" published on April 12,2024.

## Waste Management

The Group adheres to the waste management principles of "full life cycle control, compliance prioritized disposal, and resource recycling". Throughout the entire industrial production process, the pollutant emission control requirements have been strictly implemented and a full chain management mechanism established covering waste generation, classification, storage, transfer, disposal and resource recovery, which have effectively prevented environmental risks such as chemical pollutants infiltrating soil and contaminating water sources, ensuring the coordinated development of business operations and the ecological environment.

During the reporting period (year 2025), the generation of non-hazardous waste at the Factory was 678.00 tons, a decrease of 103.81 tons or approximately 13.1% compared with the previous year (2024). This reduction was mainly attributable to the optimization of production processes, optimized management of material consumption and improved recycling efficiency. Hazardous waste generation amounted to 74.10 tons, an increase of 3.42 tons or approximately 4.8% from the previous year. Verification confirmed that the increase in hazardous waste was mainly caused by the commissioning of new product production lines and expanded sales volume during the reporting period, leading to increased production volume, and a corresponding rise in hazardous waste. Such increase is consistent with the rational logic of business scale expansion.

For hazardous waste control, the Group strictly complies with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Measures for the Administration of Hazardous Waste Operation Licenses and other laws and regulations. Hazardous waste storage areas were specially set up in accordance with national standards, and comprehensive ledgers were established to record the details covering name, category, generation volume, storage duration, destination and other information related to the hazardous waste. The Group entrusts qualified third-party professional organizations licensed by provincial level or higher ecological and environmental departments to conduct compliant collection, transfer and harmless disposal of the hazardous waste. Prior to disposal, strict reviews shall be conducted on the qualifications of the third party body, including business licenses and disposal capacity assessment reports, and a standardized disposal agreement shall be signed to ensure full process traceability and regulatory compliance from the Factory to the final location.

To strengthen the standardization and effectiveness of the waste management system, the Group has integrated management requirements into core processes including production planning, workshop operations and warehousing logistics. Dedicated environmental protection managers were appointed to oversee waste management, with an on-site control mechanism of "daily inspections plus monthly special checks plus quarterly comprehensive reviews". Key items reviewed include safety protection, labeling standardization and ledger integrity in waste storage areas. A rectification ledger was established for issues identified during inspections, with responsible personnel, rectification timelines and verification standards clearly defined to ensure closed-loop remediation and sustained compliance of on-site management with safety and environmental requirements.

The Group has established a waste management data traceability and document retention system, systematically archiving core materials such as hazardous waste generation volumes, classified statistics, storage records, third party disposal qualifications, transfer manifests and disposal acceptance reports. The retention period complies with legal requirements and relevant ESG Reporting Guide. Throughout the outsourced disposal process, a complete set of documents was retained simultaneously, including qualification review records, disposal contracts, transfer manifests, disposal invoices and final disposal confirmation documents. Regular compliance reviews of disposal activities were conducted to ensure verifiability and traceability of the entire waste disposal process. No occurrence of non-compliant hazardous waste disposal was observed.

# Innovation and Upgrade

## Green Innovation

The Group has integrated world-leading technologies to develop and manufacture high-end personal care products, like electrical shavers. The design tailored for the needs of young consumers with stylish and aesthetic appearances, achieving the integration of energy conservation and consumption reduction into the product simultaneously. Through innovative design, a healthier and more convenient lifestyle was delivered to consumers. The intelligent system incorporated in the design can also record using habits and automatically adjust power output to enhance shaving efficiency and comfort, thereby providing users with a safer, more hygienic and personalized grooming experience.

In the design of core components and functions, the Group has fully adopted energy-saving motors and low-power circuit solutions, coupled with rechargeable high-capacity lithium batteries, which significantly extend product service life, reduce the generation of disposable products and waste electronic products, and lower environmental impact. Meanwhile, all products are designed to be fully waterproof, which not only simplifies the user cleaning process but also effectively reduces the use of cleaning agents. This upholds environmental and hygiene requirements from the product user's end and helps mitigate the risk of environmental pollution.

The Group is also exploring the development of a more comprehensive personal care system for both existing and potential customers, including high-end product series equipped with skin sensing, hygiene monitoring, blade life prediction and disinfection functions, to strengthen users' overall health management.

In view of the substantial increase in public attention to personal hygiene, health protection and sustainable lifestyles in recent years, the Group's R&D team has been actively expanding relevant product lines and developing a new generation of intelligent personal care devices focusing on health management, hygiene enhancement, skin safety and disinfection functions. It is expected that technological innovation will provide users with more comprehensive personal health care solutions.

## Digital Transformation and Enterprise System Upgrade

To address the increasing challenges in the manufacturing operation environment and enhance the Group's overall capabilities in production management, resource allocation and operational decision-making, the Group has continuously promoted digital transformation and gradually established an information management system featuring the collaborative operation of the Enterprise Resource Planning (ERP) system, Manufacturing Execution System (MES) and Kingdee management system, enabling a full-process data integration and closed-loop management from planning formulation and production execution to operational management.

At the production execution level, the MES system serves as a critical tool connecting production equipment, operators and management, conducting real-time data collection and monitoring of the production site. Through the MES system, the Group can grasp production progress, process status, equipment operation and quality-related information in real time, reduce reliance on manual statistics and post-event aggregation, and improve the timeliness and accuracy of on-site management. Relevant data help identify production anomalies, equipment failures and quality deviations at an early stage, supporting rapid on-site adjustments to ensure stable and orderly operation of the production process.

At the planning and resource management level, the ERP system is responsible for coordinating core processes such as production planning, material requirements, inventory levels and order execution, ensuring that production arrangements align with customer demands and operational objectives. Through data integration with the MES system, actual production execution can be fed back to the planning level in real time, assisting management in dynamically adjusting production plans and resource allocation, which has improved planning accuracy and overall operational efficiency, reducing production and inventory risks caused by information lag.

## Continuous Innovation and Improvement

The Group has integrated world-leading technologies to develop and manufacture high-end personal care products, such as electric shavers. The designs are tailored to the needs of young consumers with stylish and aesthetic appearances, achieving the integration of energy conservation and consumption reduction into the product development process. Through innovative design, a healthier and more convenient lifestyle is delivered to consumers. The intelligent system incorporated in the design can also record usage habits and automatically adjust power output to enhance shaving efficiency and comfort, thereby providing users with a safer, more hygienic and personalized grooming experience.

The integrated application of the three systems has enabled the Group to gradually establish a data closed loop from planning formulation and production execution to operational analysis, transforming the management model from the previous reliance on experience and manual aggregation to data-driven refined management. The real-time and historical data provided by these systems also serve as important support for the Group to promote quality improvement, enhance production efficiency, reduce resource waste, and optimize process design, facilitating the continuous advancement of lean production and intelligent manufacturing.

From the perspective of ESG governance, the integrated application of the ERP, MES, and Kingdee systems helps improve operational transparency and management visibility, and strengthen internal control and risk management capabilities. Through systematic data management, the Group can more effectively monitor production performance, quality stability, and resource usage, provide reliable decision support for management and the Board of Directors, and promote the implementation of sustainable development goals in daily operations.

Looking forward, the Group is always on the way to optimize the collaborative operation among various systems, further deepen data application capabilities, drive the overall improvement of production management, operational efficiency, and governance standards, and lay a solid foundation for the Group's stable operation and long-term sustainable development.

## SQOPE Strategy for Building the Future Smart Factory

The SQOPE strategy includes (1) Spend Management; (2) Quality and Compliance; (3) Operational Performance; (4) Productivity; and (5) Excellence.

With the SQOPE strategy, we aim to create a future smart factory to achieve a fully interconnected production method. A smart factory should have the following characteristics: (a) data-driven hierarchical governance; (b) analytics-led operations; (c) interconnected and collaborative; (d) lean/agile. The ecosystem of a digital smart factory should be scalable and focus on change management and adoption (people and processes). A digital smart factory should also address cybersecurity issues, adopt cloud computing, leverage big data, and enable mass customization, such as flexible production that fully meets customer needs.

Finally, the smart factory will use sensors (with traceability and predictability) to enhance advanced manufacturing systems that integrate cyber-physical hybrid systems with fully automated systems. Advanced logistics, advanced materials, rapid prototyping, robotics, and the Internet of Things (IoT) will also be important components of the smart factory. Therefore, we will be able to achieve highly flexible batch production, quickly adapt to market changes, and shorten product cycles. A digital production value chain, highly flexible and resource-friendly mass production, and the use of human-centric digital tools will enable our key processes to be more flexible, efficient and innovative.

## Continuous Improvement and the ITAKONA Plan: Using More Recycled Materials

Ultimately, innovation is about finding ways to create better processes, improve efficiency, and deliver more value to customers.

Upon completion of the Enterprise Resource Planning system upgrade, the MIS team will simultaneously adopt a big data strategy. We aim to leverage the big data strategy to capture real-time data from various process activities, enabling us to gain insights into many factors, including:

a) Track product quality and defects;

b) Supply chain management and planning;

c) Optimize the equipment;

d) Engineering analysis;

e) Predictive maintenance;

f) Process and quality analysis;

g) Automation of ERP operations, service delivery, supply chain management, and routine decision-making.

To achieve continuous improvement, our quality control team has also been considering enhancing human factors to deliver more value to customers:

a) Monitor product quality by analyzing customer feedback and conducting root cause analysis on defective product returns in the retail market.

b) Improving products based on call center data and feedback (eliminate bad features from new product development.)

c) Identify customer needs and integrate required product features throughout the new product development process

d) Gather feedback from end-users (such as Amazon user ratings and reviews) to continuously improve the design of existing products and make them more user-friendly.

From our Japanese customers, we have learned a continuous improvement technique called "ITAKONA". The concept of ITAKONA stems from carefully analyzing the sources of costs down to the "Ita" and "Kona" levels, where "Ita" refers to metal plates and printed circuit boards, and "Kona" refers to cast metals for component materials such as resins and dies. The term ITAKONA refers to determining the correct cost by theoretically reducing such materials to a "visible" level.

We apply the ITAKONA principle and strive to use more recycled plastic resin materials in products shipped to Japan, maintaining product quality through precise methods and processes. The Group has a dedicated ITAKONA team to implement this environmentally friendly cost improvement project, and we have begun to see initial results of using more recyclable materials in terms of finance, quality, environmental protection and waste reduction. In 2026, we are still on the way to apply similar concepts to more products, reduce more waste in the production process and use more recycled materials.

## Climate Change Governance Framework

### Members' Information and Responsibilities of the Internal Sustainability and Climate Committee (ISCC)

| Name | Capacity | Duty related to climate-change | Biographical details |
|---|---|---|---|
| **Wong Man Hin** | Chairman | Oversees and coordinates the Group's climate change strategy and planning; leads the development and regular revision of climate risk response policies and action plans; provides leadership and supervision to the ESG Task Force and chairs over 2 climate risk meetings annually. | Bachelor of Chemical Engineering, Master of Economics, and Doctor of Business Administration. Member of the American Institute of Certified Public Accountants (CPA), Chartered Global Management Accountant (CGMA), and Certified Management Accountant (CMA), and holds the Certified in Financial Management (CFM) credential. |
| **Mok Kin Hing** | Executive director | Implements and executes the Group's established climate strategy and related initiatives; lead the ESG Task Force to deliver related work. | Currently General Manager of the Factory, with overall responsibility for factory operations. Possesses 35 years of experience in factory management, with extensive practical experience in on-site implementation and risk management and control. |
| **Wong Yin Wai** | Executive director | Responsible for external coordination and communication, and promotes climate actions with customers and partners in ESG initiatives. | Deputy General Manager of Business Development and Procurement. Holds a bachelor's degree and a doctorate in Mechanical Engineering, as well as a Master of Business Administration, with in-depth expertise in aligning technology with market demands. |

| Name | Capacity | Duty related to climate-change | Biographical details |
|---|---|---|---|
| **Fong Henry** | Supply chain director | Coordinates overall climate actions across the supply chain, formulates and drives low-carbon transformation plans; collaborates with relevant departments to optimize logistics and procurement processes, and reduce energy consumption and carbon emissions along the entire value chain. | Holds a Bachelor of Mechanical Engineering, Master of Quality Control, and Doctor of Business Administration, with solid theoretical and practical foundations in supply chain management and environmental standards. |
| **Shen KeHui** | Vice G.M. | Responsible for data collection, statistical analysis, and tracking of the Climate Performance Report for the Factory; lead the development and drills of emergency response plans for addressing climate risks at the factory. | Oversees the Group's environmental, health and safety (EHS) management, with 25 years of practical experience in climate risk response and environmental safety management, and excels in coordinating on-site resources and driving continuous improvement. |

## Climate Risk Identification and Impact Analysis

Global climate change has been a major challenge affecting sustainable development since its emergence. In accordance with the Paris Agreement and the guidance and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the international community has been striving to limit global temperature rise to well below 2°C. The Group will continue to strengthen existing efforts, identify environmental risks, and implement effective measures to address the uncertainties and potential challenges posed by climate change.

(a) Increased Frequency of Extreme Climate Events: Climate change has intensified the frequency and intensity of extreme weather events, including heavy rain, typhoons, and heat waves. Such events may cause damage to the Group's physical assets, such as production facilities, warehousing centers, and office buildings, and may even threaten employee safety and undermine the stability of business operations. The Group's ISCC team takes the following actions:

- **Facility Reinforcement:** Reinforce production facilities, warehouses and office buildings to mitigate the operational impact of extreme weather.
- **Emergency Preparedness:** Develop detailed emergency response plans to ensure rapid reaction and minimize losses in the event of extreme weather.
- **Employee Training:** Conduct regular safety training for employees to equip them with self-protection protocols under extreme climate conditions.
- **Insurance Coverage:** Enhance insurance policies to ensure adequate protection for critical production facilities, inventory and office premises.

(b) Changes in Rainfall Patterns: Climate change is altering global precipitation patterns. Intense rainfall may trigger disasters including floods and landslides, while prolonged droughts may disrupt water supply, thereby adversely affecting production and operations. The Group implements the following initiatives:

- **Drainage System Upgrade:** Although the Factory safely passed the flood season in 2025, the Group will complete the upgrade of its drainage system by 2026 to enhance rainwater discharge capacity.
- **Water Resources Management Optimization:** Improve water use efficiency and reduce waste to maintain normal operations during drought conditions.
- **Backup Water Supply System Establishment:** Secure a stable water supply even under extreme drought scenarios.

(c) Sea Level Rise: Sea level rise poses a long-term threat to enterprises in coastal regions, potentially causing damage to coastal plants, soil salinization and elevated flood risks. The Factory is located in a coastal area, and the following measures are implemented to mitigate related impacts:

- **Facility Relocation:** Commencing in 2025, gradually relocate facilities in high-risk zones to safer higher-elevation areas. For instance, the Group is expanding its factory in Batam, Indonesia, to mitigate geopolitical and climate-related risks in the near future. (The impact of climate change on the factory in Batam, Indonesia is not addressed in the 2025 ESG Report, as the revenue generated by the Batam factory currently accounts for a small proportion of the Group's total revenue.)
- **Flood Control Facilities:** In the years ahead, future, flood embankments and drainage gates will be built around factory premises to reduce the risks of seawater intrusion and saltwater encroachment.

(d) Increased Frequency of High-Temperature Weather: Rising global temperatures may lead to more frequent high-temperature weather, affecting employee health and the stability of production equipment. The Group's ISCC Team takes the following response strategies:

- **Cooling Facilities:** Install cooling systems at workplaces to ensure employees work in a comfortable environment.
- **Working Hour Adjustment:** Optimize outdoor work arrangements during high-temperature periods to reduce employees' exposure to extreme heat.
- **Health Monitoring:** Provide heatstroke prevention and cooling supplies for employees, and conduct regular health monitoring to safeguard their physical well-being.
- **Equipment Maintenance:** Inspect and maintain production equipment regularly to ensure normal operation under high-temperature conditions.

(e) National Policy Adjustments: To achieve the "Dual Carbon Goals" (carbon peaking and carbon neutrality), the government will continuously refine carbon emission and energy policies and reduce reliance on fossil fuels, which may affect the Group's energy usage and operational models. The Group implements the following response measures:

- **Energy Transition:** Gradually reduce dependence on conventional energy sources and increase the proportion of renewable energy such as solar and wind power to lower carbon emissions.
- **Carbon Footprint Assessment:** Regularly assess the Group's carbon footprint, identify high-emission segments, and formulate emission reduction plans.
- **Technological Innovation:** Invest in clean energy and energy-saving technologies to improve energy efficiency and realize green manufacturing.
- **Policy Monitoring:** Closely track changes in national policies and adjust the Group's strategies in a timely manner to ensure compliance with policy requirements.

(f) Strengthening Industry Environmental Requirements: Along with the advancement of the Dual Carbon Goals, environmental regulatory requirements across industries are becoming increasingly stringent, and compliance costs, especially for energy-intensive industries, will rise further. The Group takes the following actions:

- **Environmental Compliance Management:** Ensure all production and operational activities comply with the latest environmental regulations to mitigate risks arising from non-compliance.
- **Environmental Technology Upgrade:** Introduce advanced environmental protection equipment and processes to reduce pollutant emissions and minimize the environmental impact of production.
- **Employee Training:** Conduct regular training on environmental regulations to ensure employees are familiar with and strictly implement relevant standards.
- **Third-Party Audits:** Engage professional institutions to conduct regular environmental compliance audits to ensure environmental measures meet national and international standards.

(g) Carbon Emission Trading Mechanism: The development of the carbon trading market may increase corporate operating costs, especially for high-emission industries that need to purchase additional emission allowances. The Group's ISCC Team adopts the following measures in response:

- **Carbon Emission Management:** Monitor and optimize carbon emissions to ensure the Group complies with national carbon emission quota requirements. Carbon Trading Strategy & Subsequent Climate Risk Sections (English Version for Board Report)
- **Carbon Trading Strategy:** Optimize the allocation of carbon emission allowances to enhance participation capacity in the carbon market and reduce transaction costs.

(h) Green Finance Policies: China is strengthening policy support for green finance and encouraging enterprises to invest in sustainable development projects. Enterprises that fail to meet green finance criteria may face the risk of increased financing costs. The Group's ISCC Team implements the following measures:

- **Green Project Investment:** Increase capital investment in green projects to ensure compliance with national green finance policies.
- **Green Certification:** Obtain green enterprise certification to enhance the Group's competitiveness in the green finance market.
- **Cooperation with Financial Institutions:** Establish long-term partnerships with financial institutions providing green financing to secure low-cost funding support.

(i) Impact of International Climate Agreements: China actively participates in international climate agreements, such as the Paris Agreement, which drives continuous upgrading of domestic environmental regulations. The Group's ISCC Team adopts the following response strategies:

- **Alignment with International Standards:** Ensure the Group's environmental protection and emission reduction measures comply with international standards, thereby mitigating risks related to international market access.
- **International Cooperation:** Actively engage in international emission reduction projects, draw on global advanced low-carbon technologies and management experience, and enhance corporate competitiveness.

# Scenario Analysis and Financial Impact

## Scenario Assumptions:

Based on the IPCC AR6 SSP2-4.5 scenario (global warming of 2.5°C by 2100), sea level rise prediction around the southern coastal regions in China ranges from 0.3 meters (2030), 0.6 meters (2050), to 1.1 meters (2080).

Typhoon data is referenced from the **Guangdong Climate Blue Book** and CMIP6 regional models.

## Financial Quantification Methodology:

Loss ratios are calculated using the asset replacement cost method, combined with historical disaster loss data (e.g., direct economic loss of approximately RMB33.03 million in Nansha District caused by Typhoon Mangkhut in 2018).

## Uncertainty Disclosures:

The resolution of regional climate models is limited, and extreme high-temperature projections may have an error margin of ±10%, assuming that the government has not further substantially upgraded regional flood control infrastructure.

### TCFD Alignment:

**Governance:** The Board reviews the progress of climate adaptation projects on a quarterly basis.

**Strategy:** The ISCC Team integrates climate resilience into the 2030 supply chain management standards.

**Risk management:** Establish a typhoon early warning and response mechanism in cooperation with the meteorological bureau.

**Indicators:** Publish an annual asset risk exposure report.

## Qualitative Narrative

| Physical Risk | Relevance and Assumptions | IPCC AR6 SSP2-4.5 Scenario Value at risk (%) | | | IPCC AR6 SSP5-8.5 Scenario Value at risk (%) | | |
|---|---|---|---|---|---|---|---|
| | | 2030 | 2050 | 2080 | 2030 | 2050 | 2080 |
| **Extremely Cold** | We have assessed how extreme weather events impact our asset locations and, consequently, the potential risk to asset values. | 0% | 0% | 0% | 0% | 0% | 0% |
| **Extremely High Temperature** | | 1%-3% | 3%-8% | 8%-15% | 5%-10% | 15%-25% | 30%-50% |
| **Coastal Flooding** | | 2%-5% | 5%-10% | 10%-15% | 5%-10% | 15%-25% | 30%-50% |
| **Typhoon Cyclones** | | 3%-6% | 6%-12% | 12%-20% | 8%-15% | 20%-35% | 40%-60% |

## Scenario Assumptions:

- **SSP2-4.5:** Assuming a global temperature rise of 2.5°C by 2100, with China's coal price reaching RMB200/ton in 2030 and RMB800/ton in 2050 (refer to China Coal Market Outlook).
- **SSP5-8.5:** Assuming a global temperature rise of 4.4°C by 2100, with coal prices fluctuating sharply due to delayed emission reduction policies (RMB150/ton in 2030 and surging to RMB1200/ton in 2050).

Data source of industrial electricity prices in Guangdong Province: the 14th Five-Year Plan for Energy Development of Guangdong Province and the prediction model of China Southern Power Grid.

## Value at Risk Quantification Logic:

- **Carbon offset cost:** Calculated as coal price increase times proportion of energy consumption.
- **Electricity cost increase:** Based on electricity price increase times proportion of electricity consumption.
- **Green asset upgrading:** Estimated as the proportion of technical transformation costs to fixed assets.

## Regional Adaptability Adjustment:

As a core area of the Guangdong-Hong Kong-Macao Greater Bay Area, Nansha is subject to the Guangzhou Green Building Regulations, resulting in green certification costs higher than the national average. Therefore, the value of green asset upgrading costs is increased by 20%.

Typhoons occur frequently in Guangdong Province, and the power grid vulnerability is higher under the SSP5-8.5 scenario, so the electricity price increase takes the upper limit of the range.

| Transformation risks | Relevance and Assumptions | IPCC AR6 SSP2-4.5 Scenario Value at risk (%) | | | IPCC AR6 SSP5-8.5 Scenario Value at risk (%) | | |
|---|---|---|---|---|---|---|---|
| | | 2030 | 2050 | 2080 | 2030 | 2050 | 2080 |
| **Increased carbon offset** | We expect rising coal price to lead to higher fuel and energy costs | 3%-5% | 6%-10% | 10%-15% | 5%-8% | 12%-18% | 20%-30% |
| **Increased electricity costs** | We have estimated the impact of rising power prices on our energy expenditure | 2%-3% | 4%-6% | 8%-12% | 4%-6% | 8%-15% | 15%-25% |
| **Increased costs of upgrading assets to green assets** | We expect the growing number of examples of effectively improving building efficiency to translate into higher costs | 5%-8% | 10%-15% | 15%-20% | 8%-12% | 15%-25% | 25%-40% |

# Quantitative Scenario Analysis

## Quantitative logic and Data Sources

### Extreme cold risk:

Extreme cold events are extremely rare in Nansha area (days with temperature ≤0℃<1 day/year), and the risk will be further reduced under the future warming trend, so the quantified value is <1%.

Data source of extreme cold risk: Nansha District Climate Statistical Yearbook of Guangdong Meteorological Bureau.

### Coastal flood risk:

- **SSP2-4.5:** Sea level rise of 0.3m in 2030, 0.6m in 2050 and 1.1m in 2080 (IPCC AR6 regional projections).
- **SSP5-8.5:** Sea level rise of 0.5m in 2030, 1.2m in 2050 and 2.0m in 2080.

The loss ratio is based on the Factory area's altitude (the average altitude of Nansha area is 2m) and historical flood loss data (e.g., Typhoon Mangkhut in 2018 caused direct economic losses of about RMB33.03 million in Nansha District).

### Tropical cyclone (typhoon) risk:

- **SSP2-4.5:** Wind speed increased by 10%, destructive power enhanced by 20%-30%.
- **SSP5-8.5:** Wind speed increased by 20%, destructive power enhanced by 40%-60%.

The loss ratio refers to the Guangdong Province Typhoon Disaster Risk Assessment Report and the enterprise's historical typhoon loss data.

## Quantitative Modeling

| Physical Risks | Relevance and Assumptions | IPCC AR6 SSP2-4.5 Scenario Value at risk (%) | | | IPCC AR6 SSP5-8.5 Scenario Value at risk (%) | | |
|---|---|---|---|---|---|---|---|
| | | 2030 | 2050 | 2080 | 2030 | 2050 | 2080 |
| **Extreme cold** | Increased frequency of extreme low temperature events (≤0°C) may lead to equipment failure and production interruption (the probability of historical extreme cold events in Nansha is low, and the probability of occurrence in the future is also low). | < 1% | < 1% | < 1% | < 1% | < 1% | < 1% |
| **Coastal flood** | Sea level rise coupled with storm surges has significantly increased flood risks in low-lying areas of Nansha District (e.g., factory areas) (SSP2-4.5: 0.3m in 2030, 0.6m in 2050). | 2%-5% | 5%-10% | 10%-15% | 5%-10% | 10%-20% | 20%-40% |
| **Tropical cyclone** | Increased intensity and frequency of typhoons (SSP2-4.5: wind speed +10%; SSP5-8.5: wind speed +20%), directly damaging factory buildings and the supply chain. | 3%-6% | 6%-12% | 12%-20% | 8%-15% | 15%-30% | 30%-50% |

# Climate Change Transition Plan and Targets

## 1. Current Situation Assessment

**Carbon emission assessment:** Quantify the Group's current carbon emissions, including direct emissions (Scope 1), indirect emissions (Scope 2) and supply chain emissions (Scope 3).

- **Climate risk analysis:** Identify the impact of climate change on the Group's business, including physical risks and transition risks.
- **Industry benchmarking:** Compare with peer enterprises to understand the Group's position in carbon emission and climate risk management, and identify gaps and improvement directions.

## 2. Target Setting

**Short-term targets (1-5 years):**

- Set clear carbon emission reduction targets, such as a 5% annual reduction in carbon emissions
- Improve energy efficiency and reduce energy consumption
- Increase the proportion of renewable energy use

**Medium-term targets (5-10 years):**

- Set a net-zero emission target
- Optimize the supply chain and reduce Scope 3 emissions
- Introduce low-carbon technologies and innovative solutions

**Long-term targets (10-30 years):**

- Achieve carbon neutrality.
- Fully transform into a climate-friendly business model
- Participate in high-quality carbon offset projects or invest in nature-based climate solutions to offset residual emissions

## 3. Action Plan

**Energy management:** Improve energy use efficiency, upgrade equipment, and optimize production processes

- Introduce photovoltaic power generation
- Install an intelligent energy management system to monitor and optimize energy consumption in real time

### Supply chain optimization:

- Cooperate with suppliers to drive the low-carbon transition of the supply chain
- Select low-carbon materials, reduce transportation distances, and optimize logistics
- Introduce the circular economy concept to reduce waste and resource consumption

### Technological innovation:

- Promote digital transformation
- Use big data, artificial intelligence and other technologies to optimize resource use

### Employee training and cultural development:

- Raise employees' awareness of climate change and carry out relevant training
- Encourage employees to participate in energy conservation and emission reduction activities, and build a green corporate culture

### Policy and compliance:

- Track national and regional carbon emission policies to ensure the Group's compliance
- Participate in the carbon trading market and purchase carbon allowances or carbon credit

## 4. Risk Management

- **Physical risks:** Formulate contingency plans for extreme weather events to ensure business continuity.
- **Transition risks:** Pay close attention to changes in relevant policies, market demand trends and technological innovation progress, and dynamically adjust the group's climate transition strategies in a timely manner to adapt to external changes.
- **Reputational risks:** Enhance the company's brand reputation through transparent climate action practices and standardized reporting, and firmly avoid any "greenwashing" behaviors to maintain stakeholder trust.

## 5. Monitoring and Reporting

- **Regular monitoring:** Establish a full-process monitoring system for carbon emissions, energy consumption and climate-related actions, and conduct regular reviews and evaluations of the progress of various targets.
- **Public reporting:** Publish climate-related financial information disclosure reports in accordance with international mainstream standards (such as TCFD), to further enhance the transparency of the Group's climate actions.
- **Continuous improvement:** Timely summarize experience and lessons based on monitoring results, and continuously optimize the climate transition plan to ensure the steady achievement of medium and long-term climate targets.

## 6. Stakeholder Engagement

- **Internal communication:** Ensure the understanding and support of the group's senior management, various departments and employees for the climate transition plan.
- **External cooperation:** Establish long-term and stable cooperative mechanisms with the government, industry associations, NGOs and other relevant parties to jointly address climate change challenges and promote industry-wide green development.
- **Customer and investor communication:** Proactively convey the group's climate action concepts, implementation measures and achievement progress to customers and investors, so as to enhance their trust in the group's sustainable development capabilities and obtain long-term support.

## 7. Financial Planning

- **Budget allocation:** Allocate a special and earmarked budget for the climate transition plan, and establish a dynamic adjustment mechanism to ensure sufficient and reasonable funding support for various climate actions

- **Financing channels:** Vigorously explore green financial instruments such as green bonds, sustainable development loans and green equity financing to diversify financing channels and reduce financing costs while supporting climate actions.

- **Cost-benefit analysis:** Conduct scientific and comprehensive cost-benefit analysis of various climate action projects, balance short-term investment and long-term returns, and ensure the rationality and efficiency of investment.

## 8. Case References

- **Industry best practices:** Refer to the climate transition plans of leading enterprises in the same industry and learn from their successful practices and experiences.

- **International cooperation:** Participate in international climate initiatives and cooperation mechanisms to enhance the company's global influence.

## 9. Continuous Improvement

- **Regular review:** Annually review the progress of the climate transition plan and adjust its targets and strategies.

- **Innovation-driven:** Keep abreast of new technologies and market trends to maintain the Group's leading position in climate actions.

# People-oriented and Social Value Creation

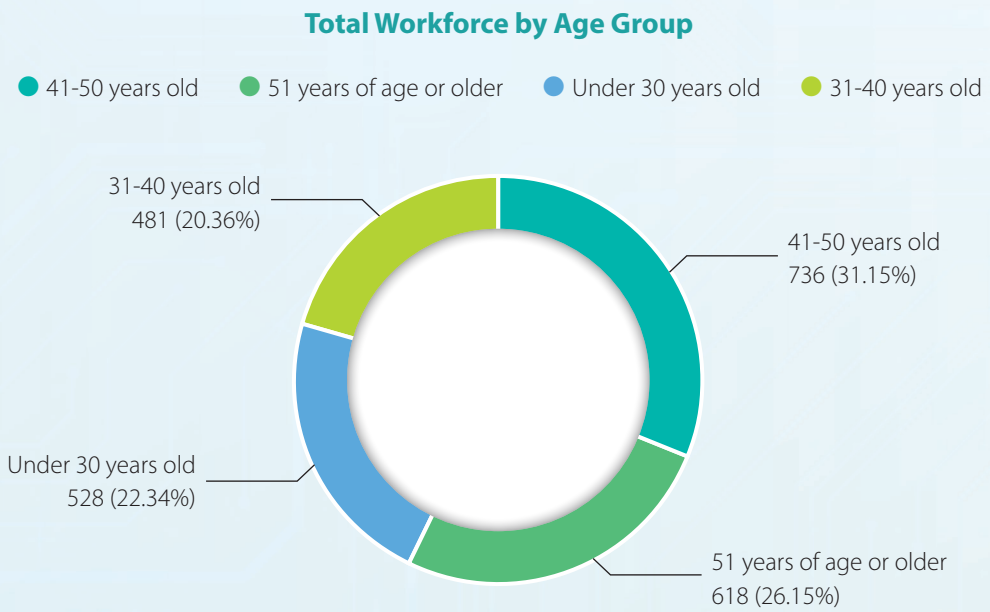
## Employment,Training and Development

### Employee Quantity and Basic Human Resources Information

As at the end of the reporting period, the Group's employee quantity reached approximately 2,300. Each employee's contribution has collectively laid a solid foundation for the group's stable operation. As the core orientation of talent management, the people-centric philosophy runs through the entire policy process: the Group is not only committed to building a diversified and highly adaptable team, but also places employee professional development and personal growth in an important position, and continuously creates a fair, just and inclusive workplace ecology. The Group has statistically compiled and prepared employee structure data as required, including the number of employees by gender, employment type (full-time/part-time, etc.), age group and geographical origin:

*Employee sorting – by age*

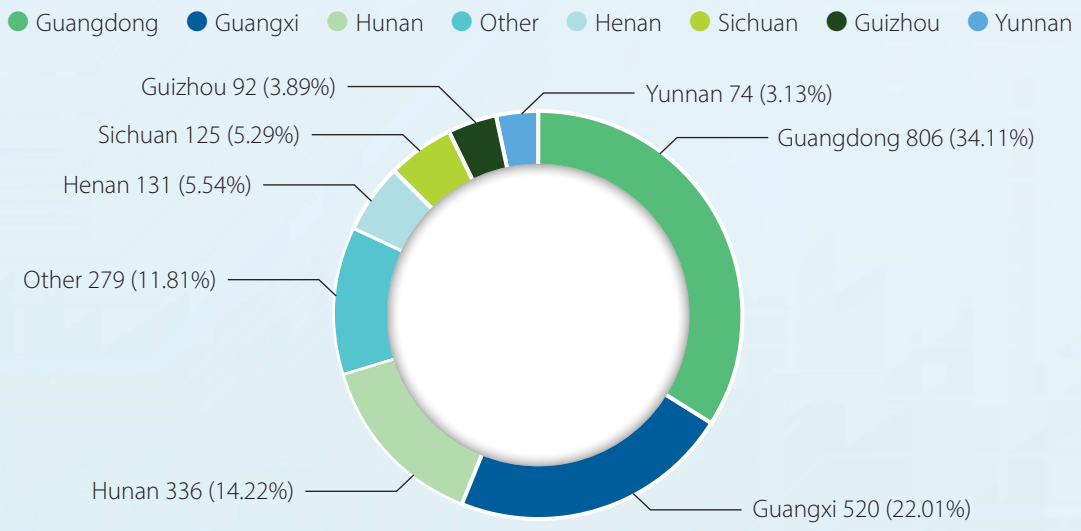
| Age range | Number ofemployees | Percentage (%) |
|---|---|---|
| **Under30 years old** | 528 | 22.34% |
| **31-40 years old** | 481 | 20.36% |
| **41-50 years old** | 736 | 31.15% |
| **51 years of age or older** | 618 | 26.15% |
| **Total** | **2,363** | **100%** |



*Employee soring – by origin*

| | Number of employees | Percentage (%) |
|---|---|---|
| **Guangdong** | 806 | 34.11% |
| **Guangxi** | 520 | 22.01% |
| **Hunan** | 336 | 14.22% |
| **Henan** | 131 | 5.54% |
| **Sichuan** | 125 | 5.29% |
| **Yunnan** | 74 | 3.13% |
| **Guizhou** | 92 | 3.89% |
| **Other** | 279 | 11.81% |
| **Total** | **2,363** | **100%** |

**Total Workforce by Region of Geographical Region**



*Employee soring – by employment type*

| | Number of employees | Percentage (%) |
|---|---|---|
| **Full-time** | 2,363 | 100.00% |
| **Part-time job** | 0 | 0.00% |
| **Total** | **2,363** | **100%** |

*Employee soring – by gender*

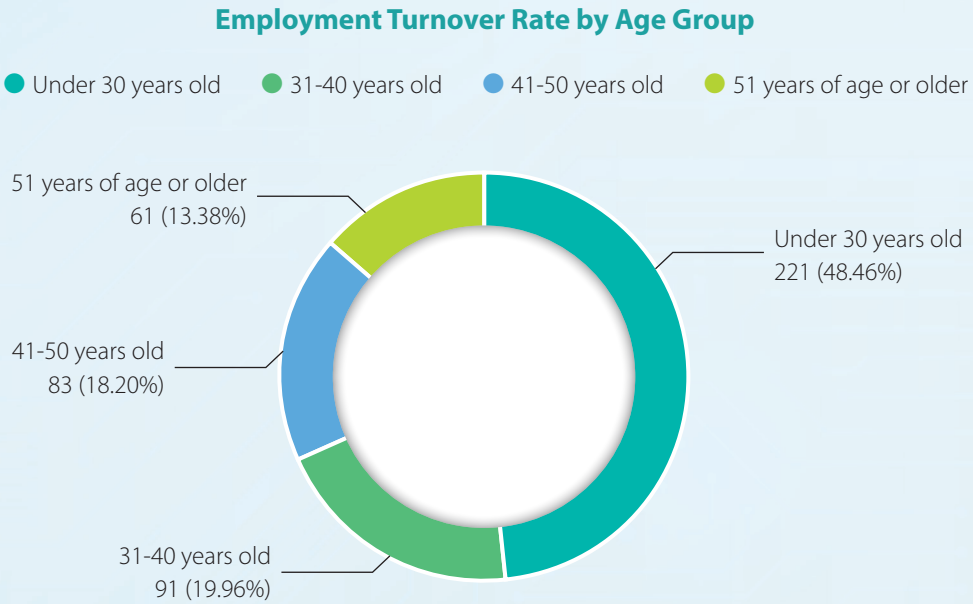
| | Number of employees | Percentage (%) |
|---|---|---|
| **Male** | 960 | 40.63% |
| **Female** | 1,403 | 59.37% |
| **Total** | **2,363** | **100%** |

*Employee turnover rate – by gender*

| | Number of employees | Percentage (%) |
|---|---|---|
| **Male** | 272 | 59.65% |
| **Female** | 184 | 40.35% |
| **Total** | **456** | **100%** |

*Employee turnover rate – by age*

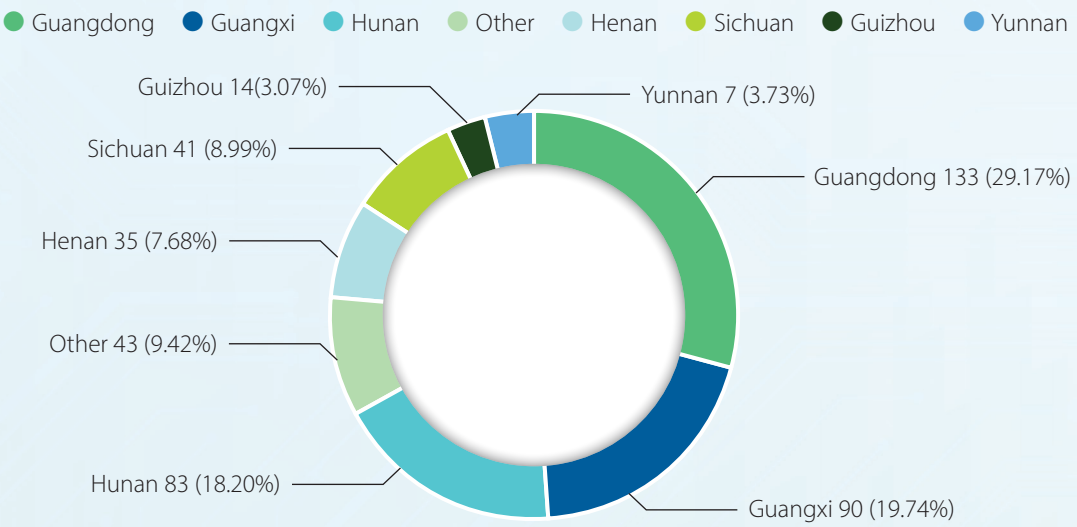
| | Number of employees | Percentage (%) |
|---|---|---|
| **30 years of age or younger** | 221 | 48.46% |
| **31-40 years old** | 91 | 19.96% |
| **41-50 years old** | 83 | 18.20% |
| **50 years of age or older** | 61 | 13.38% |
| **Total** | **456** | **100%** |



*Employee turnover rate – by origin*

| | Number of employees | Percentage (%) |
|---|---|---|
| **Guangdong** | 133 | 29.17% |
| **Guangxi** | 90 | 19.74% |
| **Hunan** | 83 | 18.20% |
| **Henan** | 35 | 7.68% |
| **Sichuan** | 41 | 8.99% |
| **Yunnan** | 17 | 3.73% |
| **Guizhou** | 14 | 3.07% |
| **Other** | 43 | 9.42% |
| **Total** | **456** | **100%** |

**Employment Turnover Rate – By Region**




## Labor Admission Criteria

The Group strictly abides by applicable labor laws and regulations. The employment of child labor and any form of forced labor is strictly prohibited. During recruitment and onboarding, the Group verifies the age and identity information of applicants by checking their identity documents, so as to ensure no child labor is employed. During the reporting period, no incidents of non-compliance relating to child labor or forced labor were identified within the Group.

## Employee Training

The Group is committed to creating a working environment for continuous learning and capability improvement, and regards talent cultivation as an important foundation for supporting the stable operation and sustainable development of the business. Every year, the Group arranges a variety of internal training for employees, with training content mainly focusing on management capabilities, professional skills, industrial safety and compliance requirements closely related to actual work, to ensure that employees are competent for their job responsibilities.

In recent years, the Group has further increased training investment in middle and frontline managers, focusing on improving their capabilities in team management, work execution, problem-solving and cross-departmental collaboration. In addition to covering practical content such as production management, quality control and process optimization, the relevant training also emphasizes work attitude, sense of responsibility and discipline management, thereby strengthening the leading role and execution capacity of middle and frontline managers in daily operations.

The Group believes that the middle and frontline management team is an important bridge connecting corporate strategies and frontline execution, and their occupational capabilities and work attitude have a direct impact on production efficiency, product quality and employee stability. Therefore, under the existing talent development framework, the group continues to cultivate potential middle and frontline managers through on-the-job training, internal sharing and management coaching, and gradually establishes an internal talent echelon.

With the widespread application of digital and automated technologies in the manufacturing industry, the Group has also been actively upgrading employees' skill structure to adapt to the transformation of operation models. By cooperating with consulting companies to promote system upgrades (such as enterprise resource planning systems) and process digitalization, the group simultaneously strengthens training for managers and frontline employees in new system operation, data application and process management, helping employees smoothly adapt to the role changes brought about by digital transformation.

In addition, the Group plans to continue investing in automated equipment in the future. The Group understands that the introduction of automation will have an impact on some positions and may lead to adjustments in job content and responsibilities. To this end, the Group helps employees improve their skills and work adaptability by continuously providing education and training resources to support their smooth transition in the transformation process.

In terms of training arrangements, the Group also provides the latest listing rules and compliance training for directors and senior managers, and provides training related to their respective responsibilities for middle managers, general employees and production line workers to continuously update their professional knowledge and skills, and ensure that the overall operation complies with regulatory and internal management requirements. For key performance indicators of the Group in development and training, please refer to the following tables:

### Percentage of trained employees by gender

| | Number of Trained Employees | Percentage of Total Employees(%) | Average Training Hours per Employee (Hours) |
|---|---|---|---|
| **Male** | 960 | 40.63% | 69.67 |
| **Female** | 1,403 | 59.37% | 83.16 |

### Percentage of trained employees by category (senior management, middle management)

| | Number of Trained Employees | Percentage of Total Employees (%) | Average Training Hours per Employee (Hours) |
|---|---|---|---|
| **Middle management** | 602 | 25.48% | 39.0 |
| **Regular employee** | 212 | 8.97% | 39.0 |
| **Production line workers** | 1,549 | 65.55% | 99.0 |

## Performance Management Mechanism

To ensure that employees' personal goals are highly aligned with the Group's overall strategic goals, the Group has established a standardized performance management mechanism based on job responsibilities and centered on work performance, and the relevant policies strictly comply with the requirements of employment-related labor laws and regulations.

The performance evaluation system is carried out around four core elements: completion of work tasks, service and product quality level, compliance operation performance and team collaboration efficiency, with an open and transparent evaluation process. The evaluation results are directly used as the key basis for employee salary adjustment, job promotion, training development and reward distribution, forming an impartial talent evaluation standard.

Through this mechanism, the Group can accurately identify employees' potential for capability improvement and development needs, and formulate targeted training plans and capability improvement measures accordingly, building a closed-loop management system of "evaluation – improvement – re-evaluation" to promote the common growth of employees and the Group.

## Employee Incentives and Retention

The Group attaches importance to enhancing employees' enthusiasm and sense of belonging through diversified incentive methods. In addition to a market-competitive salary system, the Group also recognizes employees' work performance and contributions through performance bonuses, special incentives, honorary recognition mechanisms and long-service awards. In terms of talent retention, the Group enhances employees' long-term recognition of the enterprise by continuously improving the working environment, living facilities and career development space. During the reporting period, the Group's overall employee team remained relatively stable, providing a solid human resources guarantee for the sustainable operation and development of the enterprise.

## Career Development and Promotion Paths

The Group encourages employees to achieve job development and career promotion through continuous learning and capability improvement. The internal promotion mechanism gives priority to employees with professional capabilities, good performance and strong compliance awareness, providing them with more development opportunities. Through clear career development paths, the Group supports employees in continuous growth in either professional skills or management directions, promoting the common development

# Occupational Health and Safety

## Safe working Environment

Safe production is the cornerstone of the Group's production and operation system. The management team has always prioritized the safety of employees' working environments and has been striving to create a safe and reliable working environment. The Group strictly complies with all legal requirements related to safety production, workplace safety, and occupational hazard prevention. The Human Resources Department takes the lead in ensuring the compliance with local laws and regulations, and conducts regular safety inspections at each production factory.

During the reporting period, the Human Resources Department closely cooperated with core customers such as Walmart, CVS, Walgreens and their retail terminal customers to carry out multiple rounds of safety inspections and factory audits. All production bases of the Group have successfully passed all audits with zero safety incidents and fully complied with the relevant regulations of the US Occupational Safety and Health Administration (OSHA). For product lines with higher quality and safety standards, the group's production facilities also meet the ISO 13485 standard for the medical device field, as well as the US Food and Drug Administration (FDA) standards and key food safety control standards for products in direct contact with food and beverages.

The Group has established a mandatory safety training onboarding mechanism for all employees. All employees must complete mandatory safety training and pass the internal safety assessment before officially taking up their posts for production operations. Each floor of all production factory areas is equipped with complete emergency support facilities, posted with emergency response guidelines, and deployed with gas detection and fire alarm devices, fire extinguishers, eyewash stations and other equipment. All safety facilities comply with the standards of the local fire department and are subject to regular inspection and maintenance to eliminate potential safety hazards caused by equipment failure or component aging.

The Group is also in full compliance with the applicable labor laws of the PRC and Hong Kong respectively. Occupational health and safety KPIs are presented in the tables below:

### Working Days Lost Due to Work-related Injuries

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Working days lost due to work-related injuries** | 99 | 189 | 397 |

### Fatalities Due to Work-related Injuries

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Number of fatalities due to work-related injuries** | 0 | 0 | 0 |

## Emergency Management and Drills

To enhance emergency response capabilities for extreme weather and sudden safety incidents, the Group has been continuously optimizing its emergency management system, strengthening safety production defenses, and fully safeguarded employee lives and corporate assets. In 2025, the Factory successfully handled several extreme rainfall and flood emergency scenarios without any accidents or property damage. Regular specialized emergency drills — including flood prevention, fire safety, first aid, chemical spill response, and confined space operations — have effectively improved all employees' emergency handling skills and safety awareness. These measures have comprehensively elevated the overall safety management standards of the Factory area, establishing a robust safety barrier for the Group's stable production and operations.



## Work Safety Responsibility System

The Group rigorously implements its safety production accountability system, clearly defining the responsibilities of management personnel at all levels and all employees. A top-down, multi-tiered mechanism for responsibility enforcement and supervision has been established. Production departments conduct regular comprehensive safety inspections and hazard identification in accordance with established standards. Identified safety hazards are documented in ledgers with real-time progress tracking to ensure timely rectification, thereby effectively preventing all types of safety incidents.

## Safety Risk Identification and Control

The Group has established a normalized safety risk identification and assessment mechanism, conducting dynamic assessments on key processes, critical equipment and high-risk operation links in the production process, and formulating systematic control measures around the identified major risk points, covering multiple dimensions such as inherent safety protection of equipment, standardization of operation processes, installation of on-site safety warning signs and safety training for post operations, achieving the goal of reducing the probability of safety accidents from the source.

## Supply Chain Responsibility Management

In view of stringent requirements on environment, quality and safety imposed by core customers on product components, including EU regulations such as the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), together with explicit requirements that supply chain materials shall be halogen-free, free of ozone-depleting substances and conflict minerals, the Group regards the development of a responsible supply chain as a key priority in operational management.

As core partners supporting the steady development of the Group, suppliers collaborate with the Group to respond to various operational risks, and jointly enhance product quality, delivery efficiency and supply chain agility.

The Group's supplier network covers a wide range of areas, including raw material procurement, machinery and equipment supply, construction engineering services, information technology support and freight transportation.

To ensure suppliers' compliance performance in social and environmental aspects, the Group has established stringent admission and management standards, requiring suppliers to fully comply with relevant requirements on compliant operation, production quality control, labor rights protection and environmental protection.

### Number of Suppliers – By Region

| Region | Number of Suppliers | Percentage (%) |
|---|---|---|
| **Pearl River Delta** | 255 | 87.03% |
| **Yangtze River Delta** | 17 | 5.80% |
| **Overseas** | 13 | 4.44% |
| **Other** | 8 | 2.73% |
| **Total** | **293** | **100%** |

The procurement department has been maintaining a list of qualified suppliers approved by the senior management team, and conducting annual, regular and project-specific assessments on such suppliers. All suppliers are required to meet safety and environmental standards applicable to their raw materials in accordance with local safety and environmental laws and regulations. Only the suppliers in the list could be selected as our business partners, thereby ensuring that the supply sources of core production components comply with the Group's standards.

To ensure the compliance of supply chain materials, the Group has been running a multi-level verification mechanism, which requires suppliers to provide material samples irregularly for conducting special inspections such as RoHS and REACH in the internal laboratory to ensure that all raw materials contain no conflict minerals and various harmful chemical and biological substances.

Each batch of incoming materials shall be subject to sampling inspection, and the full-process records are maintained by the quality assurance department, any non-conforming items are rejected and returned to suppliers. Any supplier whose materials supplied have been found non-conforming multiple times shall be removed from the list.

The Group encourages suppliers to actively engage in ESG-related investments and practices, but clarifies that such initiatives are not a mandatory prerequisite for supplier qualification.

In terms of business ethics, the Group adopts a zero-tolerance policy towards corruption and bribery for all suppliers. Prior to signing cooperation agreements, suppliers shall commit not to offer improper gifts or benefits to any employee of the Group, and shall comply with applicable laws, regulations and ethical business practices. During the reporting period, no supplier was issued with warnings or disqualified for violating anti-bribery commitments, and the Group was not involved in any lawsuits related to bribery or fraud.

Supplier selection and engagement strictly follow four core principles: consistent high quality, cost competitiveness, efficient services and on-time delivery. The procurement team works closely with the quality management team to conduct incoming quality sampling inspections on all parts and components delivered by suppliers. Any non-conforming items trigger an immediate rejection process, and such suppliers shall provide qualified replacements within a specified timeframe. The two teams jointly conduct quarterly supplier quality reviews to accurately identify suppliers that fail to meet the Group's standards. On-site audits are integrated into the routine supervision mechanism, and representatives are assigned at unscheduled intervals to conduct on-site assessments of suppliers' manufacturing bases, factory operations and quality management systems.

## Global Localization Procurement Strategy

In 2025, the procurement team continued to adhere to the strategy of "global planning, localized execution". By integrating global resource allocation with in-depth local market operations, the Group has optimized and upgraded supply chain efficiency. The implementation of this strategy has delivered multiple benefits to the Group:

- Locating production facilities close to core customers has effectively shortened product delivery lead times;
- Improved delivery efficiency has reduced inventory levels and further streamlined supply chain management processes;
- The Group has strengthened its geopolitical risk control and effectively addressed challenges such as tariff policy changes and differences in local consumer preferences;
- Business continuity risks have been mitigated, enhancing the Group's resilience against sudden disruptions including natural disasters and public health events.

Bolstered by shorter delivery lead times, lower supply chain complexity, improved customer service and optimized tariff costs, the Group's procurement system is better aligned with customer needs throughout product development and production.

The Group fully recognizes that supply chain stability, compliance and sustainable performance are critical to its long-term business operations and risk management. As an export-oriented manufacturing enterprise, the Group has continuously improved its supply chain management system, gradually integrated environmental, social and governance (ESG) requirements into supplier management processes, and is committed to building long-term, stable and responsible partnerships with suppliers.

## Supplier Admission Mechanism

In terms of supplier admission, the Group has established a clear supplier evaluation and approval mechanism. Before being admitted into the Group's supply system, new suppliers must undergo a comprehensive assessment covering production capacity, quality control system, delivery capability, compliant operation, and occupational health and safety. For suppliers of key raw materials, core components and outsourced processes, the Group focuses on their quality control capabilities, compliance records and operational stability, so as to reduce the risks of supply chain disruption and non-compliance risk.

## Supplier ESG Evaluation

The Group integrates the ESG philosophy deeply into its supplier management system, and gradually incorporates core ESG indicators such as environmental compliance, labor rights protection and adherence to business ethics into supplier assessment. Through diversified approaches including annual regular assessments, unscheduled on-site audits and routine communication and feedback, the Group guides and promotes suppliers to continuously enhance their ESG management performance.

## Responsible Procurement

The Group adheres to the principles of fairness, impartiality and transparency throughout the entire procurement process, and strictly prohibits unfair competition, commercial bribery, improper interest conveyance and other inappropriate practices. Relevant compliance requirements have been fully embedded in the Group's Code of Business Ethics and anti-bribery management framework, covering all suppliers and business partners.

## Supply Chain Risk Management

The Group has established a routine mechanism for supply chain risk identification and control, and continuously monitors potential risks in respect of delivery, quality, compliance and environmental aspects. By implementing multi-sourcing strategies, hierarchical and classified supplier management, and scientific inventory optimization, the Group effectively mitigates the adverse impacts of supply chain risks on its production and operations.

# Community Engagement and Social Responsibility Practices

The Group upholds its responsibility as a corporate citizen and embraces the development philosophy of "symbiosis of commercial value and social value". Through diverse public welfare initiatives, the Group contributes to the sustainable development of local communities.

- In July 2025, the Group participated in the government campaign "Walk with Litchi, Care for Farmers", supporting local litchi growers through bulk procurement and channel empowerment to expand sales channels and increase farmers' income. All purchased litchis were distributed to employees, conveying the concept of public welfare within the Group.



- In October 2025, in response to government initiatives, the Group provided consumption assistance to Liangkou Town, a less-developed area, by purchasing 5 tons of local rice from local farmers, supporting rural revitalization and increasing farmers' income, demonstrating its commitment to regional coordinated regional development.

- In November 2025, the Group participated in community activities honoring and caring for the elderly during the Double Ninth Festival, reflecting its humanistic care and sense of responsibility to repay society.




- In December 2025, the Group's factory was awarded "Outstanding Private Enterprise of Nansha District 2025" in recognition of its comprehensive performance in environmental governance, social responsibility practices and corporate governance improvement. This award represents official recognition from the local government of the Group's sustainable development efforts, and demonstrates the Group's commitment to rooting itself in the local community and empowering local economic development.

- During the reporting period, the Group actively fulfilled its corporate citizenship responsibilities and continuously advanced community engagement, public welfare support and sustainable development practices. For its well-rounded performance in social welfare, employee care and environmental management, the Group's factory was honored with the "**2025 Social Responsibility Contribution Award**" by the local government in December 2025.

Looking ahead, the Group will continue to enhance its corporate governance, expand the depth and breadth of social welfare initiatives, integrate quality resources from various sectors, and jointly promote inclusive and coordinated development of local communities.

# Employee Benefits and Wellbeing Improvement

## Education Support for Employees' Children

The Group provides special scholarships to employees' children who have been admitted to higher education institutions. More than 20 employees' children received such scholarships during the year, demonstrating tangible care and support for the educational development of employees' families.





## Upgrading of Accommodation and Living Environment

The Group has comprehensively renovated and upgraded employee dormitories and supporting toilets in production workshops. Sanitary and living facilities have been improved, and dormitory furniture and equipment have been updated. A stable 24-hour hot water supply has been ensured for dormitories, creating a clean, comfortable and pleasant living environment.

## Protection for High-Temperature Work

During the hot summer period, the Group's factory launched a special program for heatstroke prevention and cooling. Adequate cooling beverages, heat-relief medicines and cooling supplies were provided daily to 2,100 frontline employees to safeguard their physical health and ensure work efficiency in high-temperature environments.

## Cultural and Team-Building Activities

The Group regularly organizes trade union activities and sports competitions to promote cross-departmental communication and enhance team cohesion. It has upgraded the on-site basketball court, and built three new pickleball courts and a billiard room, all of which are open to employees free of charge. Together with the existing table tennis room, gym, lounge and greenway, these facilities provide employees with safe and convenient sports spaces and cultivate a positive and dynamic corporate culture.



## Humanistic Care

Welfare gifts are distributed to all employees on traditional festivals, and customized birthday cakes and exclusive blessings are provided to employees on their birthdays. Such thoughtful care strengthens the emotional bond between the Group and its employees, and nurture a harmonious and inclusive workplace.






## Public Health and Health Protection

In response to government initiatives for chikungunya fever prevention and control, the Group arranged professional teams to conduct full-scale mosquito eradication and environmental sanitation cleaning across the factory premises and surrounding areas. These efforts effectively reduced the risk of vector-borne diseases, protected employees' health, and fulfilled the Group's public health responsibilities to the broader community.





## Health Check-ups

In 2025, in addition to regular occupational health examinations, the Group provided free general health check-ups for employees, effectively safeguarding their physical and mental well-being.



## Corporate Culture and Campus Development

In 2025, the Group completed a comprehensive standardization upgrade to its factory-wide way-finding and signage system, covering office buildings and production zones. The system includes department identification, floor directories, directional guidance, safety warnings, and prohibition signs. With a unified design, clean appearance, clear information, and high visibility, the new signage enhances the navigation experience for employees and visitors, improves safety management efficiency, and strengthens the overall visual identity. It also fully reflects the Group's standardized and modern management approach, driving continuous improvement in factory operations.

During the same period, a new corporate culture exhibition wall was launched at the Group's factory. It systematically showcases the Group's development history, milestone achievements, certifications, honors, and core product breakthroughs. The wall highlights outstanding performance in technological innovation, social responsibility, and sustainable development, embodying the Group's spirit of commitment to the industry, pursuit of excellence, and dedication to responsibility.

This exhibition wall enriches the campus culture, strengthens employee cohesion, boosts their sense of identity and belonging, and presents a dynamic, forward-thinking image to customers and visitors. It serves as a solid offline platform for inheriting corporate culture and elevating brand value.











# Sound Governance and Management of Compliance

## ESG Governance

### Sustainable Development Context and ESG Positioning

As an export-oriented manufacturer serving global brand clients, the Group fully recognizes that:

- ESG has become a critical prerequisite for accessing international markets;
- Green and low-carbon development is an inexorable medium-to-long-term trend in the manufacturing industry;
- Employee welfare, supply chain compliance and business ethics are key priorities for capital markets and regulators.

Accordingly, the Group has elevated ESG from a compliance requirement to a core strategic management agenda, and systematically integrated it into the Board's oversight, executive performance management, and daily operational decisions.

## ESG Governance Structure and Responsibilities

The Group has established an ESG governance framework led by the Board, implemented by senior management, and supported by cross-departmental collaboration to ensure effective delivery at strategic, management and operational levels.

The Board sets the Group's overall ESG direction and long-term strategies, and regularly reviews material ESG-related risks and opportunities, including climate change, occupational health and safety, regulatory compliance and information security. In annual risk assessments, the Board integrates ESG risks with business risks and adjusts priorities dynamically in response to both internal and external developments.

The senior management team oversees daily operations and embeds ESG requirements into core processes including production, R&D, supply chain, human resources and information management. The Group also maintains a Health, Safety and Environment (HSE) Committee, chaired by the Group Chairman and comprising senior executives, which formulates and updates the HSE Policy and regularly reviews performance and improvement actions.

## ESG Governance Principles

The Group views environmental, social and governance (ESG) performance as a cornerstone of long-term sustainable development and has formally incorporated ESG governance into its overall corporate governance structure.

Adhering to the principles of compliance as the foundation, risk management as the core, and sustainable development as the goal, the Group ensures the effective implementation of all ESG initiatives across strategic, managerial and operational levels.

## ESG Governance Strategy

The Group upholds clear core values and is led by visionary, mission-driven leadership.

Guided by this vision, eight strategic pillars drive business growth and lay a solid foundation for the Group's sustainable development:

- Long-term macro strategy and policy formulation
- Commitment to merit-based performance systems
- Customer-centric value creation
- Cultivation of high-performing, effective teams
- Social responsibility and community engagement
- Continuous innovation and operational excellence
- Resource efficiency and conservation of natural resources
- Preservation and advancement of corporate culture and heritage

## ESG Target Setting & Monitoring

To strengthen sustainability performance, the Group regularly reviews, tracks and evaluates its ESG targets. Below are the short-term and medium-term targets and progress achieved during the reporting period.

| Topic | 2026 ESG Objectives |
|---|---|
| Mitigate climate change risks | Implement measures to address risks from floods, typhoons and extreme weather; finalize disaster response plans and standard operating procedures. |
| Advance toward carbon neutrality by 2050 | Deploy high-efficiency energy-saving equipment; install solar power systems; increase recycled materials in production; transition the fleet to electrical vehicles in the Group's factory. |
| Strengthen supply chain and logistics resilience | Develop a more stable and flexible global supply chain and logistics network for the import and export of raw materials and finished goods. |
| Enhance cyber-security and data protection | The ISO/IEC 27001 certification successfully obtained shall further enhance cybersecurity governance and monitoring processes. |
| Accelerate digital transformation | In 2025, the Group reduced paper usage at Hong Kong Headquarters through cloud technology and expanded digital systems and online banking to drive paperless operations. By 2026, advance digital manufacturing processes at the Factory. |

# Stakeholder Engagement and Importance Assessment

## Stakeholder Engagement

The Group highly values communication with stakeholders and maintains open channels to build trust and long-term relationships. We believe this enhances the organizational transparency, enables us to obtain valuable feedback, and helps improve our operational performance and reporting quality. We maintain close contact with stakeholders to understand their views on the Group's sustainability efforts, and use their insights to identify material environmental, social and governance (ESG) issues addressed in this report. The table below summarizes key stakeholders and primary daily communication channels.

| Stakeholders | Primary Communication Channels |
|---|---|
| Customers | the Group website, customer satisfaction surveys, on-site visits, overseas visits, meetings |
| Employees | WeChat official account, intranet, employee training and sharing sessions |
| Shareholders and Investors | Annual and interim reports, annual general meetings, investor meetings, emails |
| Government and Regulatory Authorities | Meetings, on-site visits |
| Suppliers | Regular on-site supplier assessments, meetings, procurement procedures, product launches |
| Media | Press releases, press conferences |
| Educational Institutions & Non profit Organizations | Sponsorships and donations, volunteer activities |

## Stakeholder Communication

To strengthen communication with the public and stakeholders, and share the Group's experience in management innovation and sustainable development, Dr. Wong Man Hin, Raymond, Chairman of the Group, was interviewed on RTHK's Management New Thinking programme on 14 March 2025. The Group believes that open and transparent communication with the public, investors and business partners enhances corporate trust and brand influence, laying a solid foundation for its long-term and stable development.





## Materiality Assessment Methodology and Process

The Group has developed a structured materiality assessment process with reference to the HKEX ESG Reporting Guide, IFRS S1 and GRI Standards, tailored to the Group's business characteristics. The process comprises the following key steps:

| | |
|---|---|
| **Step 1: Issue Identification** | Potential material ESG topics are identified across environmental, social and governance dimensions by reference on regulatory obligations, industry best practices, stakeholder expectations, internal strategic priorities and legacy ESG disclosures. |
| **Step 2: Stakeholder Engagement** | Stakeholder views on the materiality of ESG topics are collected via diverse channels, including executive interviews, departmental surveys, customer feedback and employee consultation. |
| **Step 3: Materiality Scoring and Prioritization** | A dual dimension assessment is applied to score and prioritize ESG topics based on "the impact on the Group's business performance" and "the impact on stakeholders". |
| **Step 4: Management Validation and Board Approval** | The final materiality assessment results are reviewed and validated by senior management, and formally ratified by the Board. |

# Customer-Oriented Economy

## Customers

As a listed company deeply rooted in the manufacturing industry, the Group has always placed customers at the heart of its value creation. We firmly believe that stable, trust-based partnerships are not only the foundation of sustainable business growth, but also a key driving force behind product quality upgrades, operational efficiency improvements, and the successful delivery of our sustainability strategy.

The Group's management has established sustained, close communication channels with key customers. Through regular business reviews, dedicated project collaboration, and day-to-day operational alignment, we gain precise insight into customer priorities across product quality, delivery reliability, compliance management, and risk control. Throughout the entire partnership lifecycle, we provide ongoing support in manufacturing process optimization, customized technical solutions, and professional ancillary services to fully support customers' product development and market expansion goals.

To enhance service efficiency and responsiveness, the Group has been steadily advancing its digital transformation. We continuously optimize internal workflows and information flows, strengthen our ability to anticipate shifting customer needs, and effectively shorten decision-making and implementation cycles. Our customer engagement is guided by two core principles: putting customer needs first; and leveraging cross-departmental coordination to deliver market-competitive products and responsive, flexible, high-quality services under sound cost discipline.

While advancing sustainability and elevating customer service standards, the Group has also intensified investment in the following key areas:

- Deploying advanced video conferencing facilities to reduce cross-border business travel and lower carbon emissions, enabling green and efficient customer communication.
- Establishing a comprehensive product safety management system, maintaining close coordination with customers during product recalls and responses to product safety and health-related matters, while implementing a robust quality management framework to standardize the handling of customer and product-related complaints.
- Conducting in-depth root-cause analysis for major customer complaints to prevent the recurrence of similar quality issues at the source.
- Adopting standardized intellectual property protection procedures to fully safeguard customers' intangible assets.
- Attaining ISO 27001 Information Security Management System certification in 2023, embedding best practices in cybersecurity for consumer data protection and privacy policies, and successfully passing SGS audits in 2025 to ensure consistent adherence to certification standards across all business functions.

In terms of product recalls and safety & health management, the Group maintains a dedicated record-keeping system to track the volume of product recalls due to safety and health concerns and their share of total shipments. In 2025, the Group delivered 10,990,301 finished products, of which 115 were recalled for quality reasons — a decrease of 468 units from 2024, representing just 0.001% of total shipments. None of the recalled products posed any safety or health risks. All relevant data is integrated into the internal quality analysis system to support continuous improvement in product reliability.

In customer complaint handling, the Group received only one product-related complaint in 2025, a reduction of 10 from 2024. We have implemented a standardized complaint management process: a dedicated task force or committee is formed for each complaint to conduct a thorough investigation into potential root causes across the supply chain and internal processes. By developing short-term corrective actions and long-term improvement plans, we ensure a fully closed-loop management mechanism.

The Group attaches paramount importance to protecting both customers' and its own intellectual property, viewing this as fundamental to upholding business integrity and preserving customer trust. Before engaging in product development and business cooperation with customers, the Group signs strict non-disclosure agreements (NDAs) to protect technical information, design solutions, and other intellectual property generated during collaboration.

As a manufacturer with over 50 years of OEM experience, the Group's management and all employees maintain strict compliance standards. We have never unauthorizedly copied or used customers' intellectual property, nor have we applied such designs to other commercial uses. To further strengthen legal protection for intellectual property, the Group has engaged specialized law firms in Chicago, USA and Guangzhou, China to provide comprehensive legal support for customers' intellectual property and the Group's proprietary R&D outcomes. We have also taken legal action against infringements to effectively protect legitimate rights and interests.

Against the deepening adoption of digital processes and e-commerce, the Group keenly recognizes the importance of consumer data protection and information security management. The Group formally began building its information security management system in 2020 and achieved ISO 27001 certification in 2023. In 2025, it successfully passed SGS surveillance audits, confirming the ongoing effectiveness and sustainability of the system.

The Group has developed comprehensive consumer data protection and privacy policies, conducts regular cyber-security training for employees, and carries out random security tests to strengthen employee awareness and capabilities in defending against phishing, spoofing emails, and other cyber threats. We believe that a sound information security management system not only protects customer and consumer data, but also serves as a vital foundation for ensuring business continuity and sustaining customer trust.

The Group remains committed to delivering high-quality products to its customers. Going forward, we will continue to drive technological innovation and new product development, focusing on areas including air quality improvement, air pollution control, the promotion of healthy dietary lifestyles, and the upgrading of healthcare solutions, to help build a healthier and more livable environment.

Through meaningful innovation, we aim to genuinely enhance human health and well-being, while partnering with all stakeholders to create superior long-term value for customers and shareholders, and fulfilling our responsibilities to the planet and society.

## Authorized Economy Operator (AEO) Program

As defined by the World Customs Organization (WCO), an Authorized Economic Operator (AEO) refer to "an entity involved in international cargo transportation, approved by its national customs or an authorized body, and compliant with international supply chain security standards. Such entities include manufacturers, importers, exporters, and other relevant operators."

The AEO regime is a core pillar of the WCO SAFE Framework of Standards, which establishes unified guidelines for customs administrations worldwide to conduct international cooperation and build trusted partnerships between customs and the business sector. The SAFE Framework rests on four core principles:

- Uniform requirements for advance electronic cargo declaration information
- Commitment by member economies to apply consistent risk management practices to address supply chain security threats
- Provisions for importing country customs to request exporting country customs to perform outbound inspections on high-risk containers and shipments
- Clear customs facilitation benefits for enterprises that meet minimum supply chain security standards and international best practices

At its heart, the AEO regime fosters a collaborative partnership between customs and businesses. To obtain AEO certification, enterprises must maintain robust internal control systems that effectively prevent tampering with goods in international transit. Their compliance capacity and security management standards are formally recognized by customs authorities.

The Customs-Trade Partnership against Terrorism (C-TPAT) represents a critical security initiative in international trade, essential to ensuring the integrity of cross-border cargo movements. By strengthening end-to-end security controls, the program enables fast and secure customs clearance while upholding three core objectives:

- Complete and accurate information, ensuring declared goods fully match actual loaded cargo with no undeclared items;
- Standardized personnel management, requiring strict adherence to operational procedures and prohibiting improper packing activities;
- Secured site access, preventing unauthorized personnel from entering operational areas and eliminating the risk of unauthorized goods being introduced.

In recognition of these standards, customs authorities provide significant clearance privileges to AEO-certified enterprises, including reduced inspection frequency or full exemption from routine inspections. This greatly shortens customs clearance lead times and reduces overall logistics costs.

The Group is pleased to announce that it obtained AEO certification from China Customs in 2020 and successfully completed its recertification in 2023. The certification is renewable in accordance with applicable laws and regulations.

This accreditation confirms that the Group's production facilities and operational management comply with the highest international security standards, and its customs control processes are efficient, fully compliant, and aligned with EU security standards. As a result, the Group is able to provide customers with products backed by robust assurances of both quality and security.

## Shareholders and Investors

Leading global institutional investors, such as BlackRock and RobecoSAM, have integrated ESG factors into their core investment decision-making frameworks. Through a holistic evaluation of environmental, social and governance performance, they effectively mitigate risks and secure sustainable long-term returns. Amid this global trend, ESG performance has become a pivotal screening criterion for responsible investors when assessing potential investments. As the global scale of ESG-dedicated investment funds continues to expand, the Group is convinced that proactively enhancing ESG governance and elevating sustainability performance will help attract incremental institutional investment and deliver sustained value growth for existing shareholders.

## Employees

As of the end of the reporting period, the Group employed approximately 2,300 personnel. From frontline production operators to technical support specialists, every employee makes an indispensable contribution to the steady and sound development of the Group's business. Committed to building a diverse and highly resilient workforce, the Group adheres to a people-centric talent strategy, focusing on cultivating professional competencies and facilitating career advancement, while fostering a fair, equitable and inclusive working environment.

## Diversity, Equity and Inclusion (DEI)

To embed the principles of Diversity, Equity and Inclusion (DEI) into daily operations, the Group cultivates an open and inclusive workplace where all employees are respected and empowered to express their needs freely. Adopting a "no-label" management philosophy, the Group advances gender equality and LGBTQ+ inclusivity, and upholds a zero-tolerance policy against racial discrimination and all forms of harassment, as stipulated in the Group's Code of Conduct. It actively promotes an open and collaborative corporate culture that embraces diverse perspectives, stimulates innovation, and strengthens team cohesion and a shared sense of belonging among all employees and stakeholders.

The Group firmly believes that when employees can bring their authentic selves to work and feel a strong sense of belonging, they will jointly forge a more robust and prosperous future for the Group.

As Frans van Houten, former CEO of Philips, stated, "The very best innovation emerges from a fully inclusive environment, where diverse minds and creative thinking come together." The Group will continue to advance its diversity initiatives and strive to become an employer of choice, providing broad development opportunities for employees dedicated to personal growth, and building a deeply inclusive corporate culture.

## Cultural Integration and Stakeholder Collaboration

By integrating elements of the Danish philosophy of Hygge with traditional Chinese cultural values, the Group fosters teamwork and a strong collective sense of belonging. Prior to the mass production of new products, the Group holds traditional blessing ceremonies with key stakeholders including customers and suppliers, deepening mutual trust and laying a solid foundation for long-term strategic partnerships.

# Information Security and Privacy Protection

## Information Security Management System (ISO 27001)

The Group has established and maintained the stable operation of an ISO 27001-compliant information security management system, fully integrating information security governance into the core scope of enterprise risk management. Adopting a three-in-one control framework of "systematic governance plus technical safeguards plus personnel oversight", the Group enhances all-round security protection for core data, business systems, and network environments, forging a robust defense line against information security risks.

## Customer and Data Privacy Protection

The Group places paramount importance on safeguarding customer data, business operational data, and employees' personal information. It strictly adheres to the requirements of relevant laws and regulations, implementing standardized end-to-end management throughout the entire lifecycle of information—from collection, storage, and usage to transmission. By deploying multi-layered protective measures including hierarchical access control, encrypted data storage, and regular backup and recovery protocols, the Group effectively mitigates risks of unauthorized access, leakage, and misuse of information, thereby earnestly protecting the legitimate rights and interests of both customers and employees.

## Cybersecurity Management

The Group continuously strengthens the regularized security management of information systems and network infrastructures. It conducts periodic system operation and maintenance inspections, proactive security vulnerability scans, and targeted risk assessments to comprehensively prevent information security incidents such as cyberattacks, data tampering, and unauthorized intrusions. During the reporting period, no information security incidents with material impacts on business operations were recorded.

# Compliance and Audit Management

Upholding a high-standard and rigorous quality management philosophy, the Group has established and effectively operated four internationally recognized authoritative management systems: ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 13485 Medical Device Quality Management System, and ISO 27001 Information Security Management System. Through this systematic and standardized management approach, the Group ensures that all end-to-end operational activities strictly comply with national regulatory requirements, industry technical standards, and customer quality specifications.

In 2025, the Group's Guangzhou Nansha Production Factory, under the leadership of the System Management Department, conducted an annual internal audit covering all core production workshops and functional departments. The audit results confirmed that all management systems operated efficiently, process controls were standardized, and records were fully preserved, with no major non-conformities identified. During the same period, the Nansha Production Base successfully passed quality audits, social responsibility assessments conducted by multiple international brand customers, as well as system certification audits by third-party authoritative institutions. Throughout the year, there were no abnormal incidents related to production safety, occupational health, or product quality, and all audit indicators met the required standards.

By continuously deepening quality management and iteratively optimizing its management systems, the Group has solidified a reputation for high-quality and reliable performance. It delivers premium products and professional services to global customers, further enhancing the enterprise's core market competitiveness and brand credibility and influence.

## Management System Upgrade

To drive the quality enhancement and upgrading of the enterprise management system and realize the digital transformation of the entire production and operational process, the Group established a Digital Operations Center in 2025. This center integrates core digital resources, including the MES (Manufacturing Execution System), ERP (Enterprise Resource Planning System), Kingdee Financial System, and Cauliao QR Code Management System, enabling seamless data connectivity across all business segments and optimizing the efficiency of core business processes. This initiative provides digital support for efficient decision-making by the management team and lean operations at the production level, laying a solid management foundation for the Group's sustainable development.






## Ethical Governance and Anti-Bribery

### Ethical Governance

The Group has enshrined professionalism, high ethical standards, and integrity in compliance as the core values underpinning its sustainable development. It strictly adheres to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and relevant legal and regulatory requirements across all operating jurisdictions, explicitly prohibiting all forms of bribery, fraud, extortion, money laundering, false declarations, and improper benefit transfers.

The Group has formulated and dynamically updated the Code of Conduct, Employee Handbook, and Anti-Bribery and Anti-Corruption Policy, clearly defining ethical guidelines for employees in the performance of their duties, conflict of interest reporting mechanisms, compliance norms for gift and business entertainment, and compliance boundaries for engagements with suppliers and business partners. These policies apply comprehensively to all Group employees, agents, contractors, and all third-party entities acting on behalf of the Group.

As the apex supervisory body for ethical governance and anti-bribery initiatives, the Board oversees the overall operation of the anti-bribery and ethical governance system. It regularly conducts bribery risk assessments to accurately identify and assess potential risk points throughout the entire business lifecycle. The Human Resources Department and Compliance Management Department take primary responsibility for policy implementation, organizing regular compliance training, and handling relevant reports. Managers at all levels bear direct accountability for ethical risks within their areas of responsibility, ensuring the effective execution of all internal control measures.

During the reporting period, the Group consistently upheld rigorous standards of business ethics and compliant operations. No material incidents violating ethical governance requirements occurred, nor were any confirmed cases involving corruption, bribery, embezzlement, extortion, fraud, or money laundering detected. The Group also did not face any investigations, penalties, or legal proceedings from regulatory authorities in connection with the aforementioned matters.

## Code of Conduct and Anti-Bribery Policy

The Code of Conduct clearly delineates the ethical obligations, professional standards, and behavioral red lines that employees must adhere to in the discharge of their duties. It covers core areas including conflict of interest disclosure, trade secret protection obligations, compliant management of gifts and entertainment, and prohibitions on commercial bribery and fraud.

The Anti-Bribery and Anti-Corruption Policy further stipulates that employees are strictly prohibited from providing, promising, offering, soliciting, or accepting any form of corrupt benefits—including but not limited to cash, gifts, sponsorships, expense reimbursements, commissions, kickbacks, contract preferences, service concessions, and other improper advantages.

This policy is equally binding on agents, contractors, partners, employees' family members, and all third parties acting on the Group's behalf. For violations of these policies, the Group will pursue strict accountability in accordance with its disciplinary framework; in cases of serious misconduct, the matter will be referred to judicial authorities for handling.

## Guidelines for Identifying Potential Bribery Acts

The Group provides employees with clear guidance to facilitate the identification of circumstances that may constitute bribery or improper conduct, including but not limited to:

- Financial irregularities arising from improper income, inflated expenses, asset valuation discrepancies, or related-party transactions
- Asset abuse or unauthorized misappropriation of company resources
- Undisclosed or unauthorized conflicts of interest
- Acceptance of unreasonable gifts, entertainment, or personal benefits
- Self-dealing (including kickback arrangements)
- Acts in violation of laws, regulations, Group policies, or professional ethics

These guidelines empower employees to proactively identify risks, report concerns in a timely manner, and prevent irregularities in daily operations.

## Reporting Mechanism

The Group has established a Reporting System as a key mechanism for identifying and addressing potential irregularities. This system enables employees and individuals conducting business with the Group (including suppliers and partners) to report improper conduct to the Audit Committee through confidential channels. Reportable matters include dishonesty, fraud, bribery, improper accounting treatment, illegal acts, or violations of Group policies.

The reporting mechanism is characterized by the following features:

- Anonymous reporting is permitted, with no requirement for reporters to disclose their identities
- All reports are supervised and processed under the oversight of the Audit Committee
- Report information is subject to strict confidentiality, and all forms of retaliation are prohibited
- Investigation findings are submitted to the Audit Committee for deliberation and determination of the handling plan
- Major cases will be referred to law enforcement authorities when necessary

The Audit Committee is responsible for overseeing the investigation process to ensure it is conducted fairly, objectively, and promptly. If an investigation confirms the existence of irregularities, the Group will take appropriate actions in accordance with its disciplinary procedures, including warnings, suspensions, termination of employment, and pursuit of legal prosecution.

## Continuous Improvement

The Group will conduct regular reviews of the effectiveness of its anti-bribery policies, reporting mechanisms, and training frameworks to adapt to evolving regulatory requirements and business development needs. By continuously refining policies, enhancing internal oversight, and promoting an integrity-driven culture, the Group is committed to building a transparent, corruption-free, and accountable operational system.

# Future ESG Targets and Continuous Improvement

## Environmental Targets

Guided by the four strategic pillars of "energy conservation, emission reduction, efficiency enhancement, and cleaner production", the Group will continuously advance environmental performance improvements. Key strategic priorities for the future encompass:

- Steadily expanding the adoption of clean energy sources, including photovoltaic (PV) power generation systems;
- Driving energy-saving retrofits for critical production equipment to reduce energy consumption per unit of output;
- Continuously optimizing treatment systems for VOCs (Volatile Organic Compounds) emissions and wastewater to meet or exceed national and industry emission standards;
- Strengthening end-to-end management of hazardous waste and expanding resource recycling initiatives to improve resource utilization efficiency.

The Group will conduct ongoing monitoring and review of environmental target attainment through a structured annual data tracking and management review process.

## Social Targets

In the realm of social responsibility, the Group will remain focused on employee safety, talent development, and community co-creation. Core strategic directions for the future include:

- Sustaining 100% coverage of employee health check-ups;
- Further elevating the reach, relevance, and quality of employee training programs, with a focus on professional skill enhancement and ESG awareness cultivation;
- Continuously upgrading employee accommodation and supporting living facilities;
- Steadily scaling up community welfare initiatives, such as agricultural livelihood support, targeted consumption-based assistance, and elderly care services.

By iteratively enhancing employee wellbeing measures and deepening social responsibility practices, the Group will strengthen its personal training and social recognition.

## Governance Targets

The Group is committed to continuously elevating ESG governance and compliance standards. Key strategic focus areas for the future include:

- Refining the Board of Directors' oversight framework for ESG matters to enhance strategic alignment, accountability, and oversight effectiveness;
- Reinforcing the systematic integration of risk management and internal control mechanisms, with a focus on ESG-related risk identification and mitigation;
- Sustaining advancements in information security and data protection protocols;
- Transforming ESG management systems from a "compliance-driven" model to a "value-creating" paradigm, integrating ESG into core business strategies to drive long-term sustainable growth.

## Legal Compliance Statement

The Group confirms that all information disclosed in this report has been compiled in strict accordance with the actual circumstances during the reporting period, and is fully compliant with the relevant requirements of the Hong Kong Exchanges and Clearing Limited's (HKEX) Environmental, Social and Governance Reporting Guide as well as other applicable laws, regulations and regulatory mandates. The Group further verifies that no material illegal or non-compliant incidents, which could have a significant adverse impact on the Group's business operations, financial condition or corporate reputation, occurred during the reporting period.

## ESG Performance Data Summary

Pursuant to the KPI disclosure requirements set forth in HKEX's Environmental, Social and Governance Reporting Guide, the Group has consolidated key performance data, including but not limited to energy consumption, greenhouse gas emissions, employee structure, occupational health and safety performance, training effectiveness, and compliance status. This data is presented in tabular format within this chapter to facilitate reference and review by shareholders, investors and other stakeholders.

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| KPI B1.2 | Employee turnover rate by gender, age group and geographical region | Pages 36-37 |
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RAYMOND Industrial Ltd
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