Perfectech

Perfectech International Holdings Limited

Incorporated in Bermuda with limited liability

Stock Code: 00765

2025
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ABOUT THIS REPORT

Perfectech International Holdings Limited (the "Company") is pleased to present this Environmental, Social and Governance ("ESG") Report (the "Report"), which covers the work performed by the Company and its subsidiaries (collectively referred to as the "Group" or "we") in implementing sustainable development principles in 2025, as well as our performance in environmental protection and social responsibility. For information on corporate governance, please refer to the Corporate Governance Report of the Group's 2025 Annual Report.

REPORTING SCOPE

The Report covers the performance of the Group's principal business in the People's Republic of China (the "PRC") in environmental management and social responsibility between 1 January 2025 and 31 December 2025 (the "Year"). The key performance indicators disclosed in the Report for the Year are based on the performance of our main point of operations, 中山利發玩具有限公司 ("中山利發").

REPORTING FRAMEWORK

The Report was prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX").

REPORTING PRINCIPLES

The content of the Report is determined through the stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the internal management and stakeholders' opinions, assessing the relevance and materiality of the issues and preparing and validating the information reported. The ESG report has covered all key issues that are concerned by different stakeholders.

Quantitative environmental and social key performance indicators ("KPIs") are disclosed in the Report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information on the standards, methodologies, references and source of key emissions of these KPIs are stated wherever appropriate. To enhance the comparability of the ESG performance between years, we have strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies, we have presented and explained in detail in the corresponding sections.

INFORMATION AND FEEDBACK

The Group highly values your views on this ESG Report. Should you have any comments or suggestions, please forward them to us via the following email address: info@perfectech.com.hk.

ESG GOVERNANCE

BOARD ESG STATEMENT

The Group recognises that robust ESG governance and effective climate-related risk management strategies are essential to our long-term business growth and play a key role in enhancing investment value and returns. The Board of Directors (the "Board") holds ultimate oversight responsibility for ESG and climate-related matters. It is tasked with reviewing the execution of relevant laws and regulations, policies and measures, performing periodic assessments, and monitoring the implementation progress of ESG initiatives and climate mitigation actions. Furthermore, the Board supervises the drafting and preparation of the Report, examines its content and quality to ensure full regulatory compliance. The Board also actively engages in the ESG risk identification and stakeholder management, keeping our operations closely aligned with global sustainable development trends and continuously assessing the impact of our ESG performances on different stakeholders.

The importance of ESG issues to the Group and our stakeholders serves as a key consideration for the Board in formulating corresponding management approaches and strategies. Accordingly, the Board has engaged an independent third-party professional organisation to conduct a materiality assessment. The assessment process included stakeholder surveys, materiality matrix analysis, and the integration of expert opinions on industry-specific issues. The Board also actively participated in the process, providing constructive input during the identification of material issues, thoroughly reviewing the assessment results, and continuously evaluating the engagement mechanisms and activity arrangements.

To ensure the orderly advancement of ESG issues and climate management, the Board will supervise cross-departmental coordination mechanisms based on the responsibilities and objectives of each department. It will regularly review the progress of ESG initiatives and the achievement of climate-related targets at Board meetings, while proactively seeking opportunities to formulate long-term ESG development direction.

STAKEHOLDERS ENGAGEMENT

Based on the Group's business nature of manufacturing toy, novelty and decoration products, we have established a clear ESG policy and set up an ESG Working Group, responsible for maintaining an effective ESG risk management and internal control system, continuously improving our ESG performance, and regularly reporting work progress, achievements and future plans to the Board and employees.

Understanding stakeholders' expectations and taking corresponding actions are key to the Group's sustainable development, enabling us to comprehensively understand our performance in environmental and social aspects. To this end, we have established diverse communication mechanisms to maintain active interaction with major stakeholders, gain in-depth insights into their expectations and suggestions regarding various ESG aspects, and effectively integrate sustainable development strategies into our long-term business practices. The table below sets out the requirements and expectations of our major stakeholders, as well as the corresponding communication and response methods.

Stakeholders	Expectations	Means of Communication and Response from the Group
Government and Regulators	• Compliance with national policies, laws and regulations • Support for local economic growth • Contribution to local employment • Tax payment in full and on time • Production safety	• Regular information reporting • Regular communication with regulators • Examination and inspection
Shareholders	• Returns • Compliant operation • Information transparency and effective communication • Climate-related risks and opportunities	• General meetings • Company announcements and notices • Email, telephone communication and company website
Partners	• Operating with integrity • Fair competition • Performance of contracts	• Review and appraisal meetings • Business communications • Engagement and cooperation
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operating with integrity	• Customer service centre and hotline • Customer feedback survey • Customer communication meeting
Environmental Regulatory Departments	• Compliance with emission regulations • Energy conservation and emissions reduction • Environmental protection and climate change	• Communication with the local environmental department • Communication with the locals
Industry	• Setting industrial standards • Promoting industry development	• Participation in industry forums
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development	• Employee communication meetings • Training and workshops • Employee activities
Community and the Public	• Improving community environment • Participation in charity	• Company website • Company announcements

MATERIALITY ASSESSMENT

To ensure that our ESG policies are clear, effective and targeted, the Group conducted materiality assessment to identify the material ESG issues on both our business operations and stakeholders. This assessment incorporated internal stakeholder feedback, independent analysis by a third-party ESG professional institution, and materiality maps provided by reputable external organisations[1], ensuring the process was scientific, objective and aligned with international standards. The results serve as an important reference for strengthening our internal ESG governance, resource allocation and strategy formulation. Looking forward, we will continue to expand the scope of stakeholder engagement and collect valuable opinions on our sustainable development.

During the Year, the Group identified a total of 8 material ESG issues, and has added "Responding to Climate Change" as one of our material issues, reflecting our increasing attention to climate change issues. We elaborated all the material topics in the Report in terms of our management policies, implementation measures and progress achieved.

Material Topics	Corresponding Sections
Environmental Compliance	Environmental Protection
Responding to Climate Change	Responding to Climate Change
Use of Packaging Material	Resources Conservation
Employee Compliance	Stringent Recruitment Process
Remuneration and Benefits	Employee Benefits
Product Quality and Safety	Quality Control
Supply Chain Management	Supply Chain Management
Anti-corruption	Anti-corruption

[1] The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by MSCI and the Sustainability Accounting Standards Board (SASB).

ENVIRONMENTAL PROTECTION POLICY

While pursuing business growth, the Group is committed to protecting the surrounding environment. We uphold the core environmental philosophy of "Observing Environmental Protection Laws and Regulations, Pursuing Continuous Improvement, Saving Energy While Reducing Consumption, and Lowering the Production and Emissions of Pollutants", fostering the effective implementation of various environmental policies. Through internal training and promotional activities, we raise awareness among all employees on the importance of environmental protection, thereby reducing energy consumption at source. We also conduct annual systematic environmental monitoring and have established robust management procedures and policies to control our emissions. Looking ahead, we will continue to strictly comply with relevant laws and regulations, steadfastly promote pollution prevention and continuous environmental improvement.

EMISSIONS HANDLING

The Group strictly complies with the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and the *Law of the People's Republic of China on Prevention and Control of Water Pollution* and other relevant laws and regulations, and is committed to effectively controlling and reducing the emissions of air and water pollutants

Taking "Providing Safe and Green Products" as the foundation of the Group's operations, 中山利發 has formulated the *Environmental Policy* to provide strategic direction for its environmental management. Production process of 中山利發 generates exhaust gases containing benzene, toluene, xylene, and volatile organic compounds ("VOCs"). To minimise environmental impacts, the generated exhaust gases are first filtered through water tanks before being discharged into the atmosphere. 中山利發 also engages nationally accredited laboratories to conduct testing on exhaust gas emissions. Additionally, 中山利發's employees inevitably drive private cars and light goods vehicles for daily commuting, which generate air pollutants such as nitrogen oxides, sulfur oxides, and particulate matter. In response, we are actively exploring the feasibility of replacing conventional vehicles with new energy vehicles and endeavour to reduce the frequency of business-related vehicle usage.

During the Year, 中山利發 invited accredited third-party professionals to conduct on-site environmental monitoring. The testing was performed in accordance with relevant national standards, covering key parameters including drinking water quality, domestic sewage, and organised exhaust gas emissions (such as pH, VOCs, and other specified pollutants). All tested parameters fully complied with applicable regulatory limits, confirming that our exhaust gas, and water quality management systems are operating effectively and in full compliance with environmental protection requirements.

The emissions of air pollutants produced from the usage of vehicles during the Year are listed in the following table.

Air Pollutants[1]	2025	2024
Nitrogen oxides (g)	2,210	2,947
Sulphur oxides (g)	20	35
Particulate matters (g)	192	246

Note:

1. The calculation of pollutant emissions is based on the "Reporting Guidance on Environmental KPIs" issued by HKEX.

The production process at 中山利發 does not involve the generation of industrial wastewater. All wastewater is primarily generated from daily office operations and does not result in any significant water pollutants that would impact the environment. When discharging domestic sewage, 中山利發 complies with national standards such as the *Integrated Wastewater Discharge Standard*. The sewage is first treated through dedicated sewage treatment facilities before being discharged into the municipal sewage system.

WASTE MANAGEMENT

The Group strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, and properly regulates the disposal and handling of waste. We also implement high-standard waste management measures to reduce the environmental impact to the greatest extent possible.

中山利發 has formulated the *Occupational Safety, Health and Environmental Protection Policy* to regulate the disposal of hazardous and non-hazardous waste generated during operations. All hazardous waste is classified and centrally stored at designated locations, properly covered with lids and secured with hoops to prevent rainwater ingress and leakage in the event of overturned containers. The storage drums are also clearly labelled with appropriate identification and warning signs, and subsequently handed over to qualified professional units for treatment. Non-hazardous waste is entrusted to professional recycling companies or collected by the Environmental Sanitation Department. These ensure the process is conducted properly and does not pose additional risks to the environment.

During the Year, hazardous waste includes waste paint buckets and chemical waste, while non-hazardous waste includes waste paper, metals, and general refuse. The Group did not record any harmful environmental impact arising from waste disposal. The waste disposal amount and intensity of 中山利發 are listed as follows:

Waste	2025	2024
Total non-hazardous waste (tonnes)	21	22
Non-hazardous waste intensity (tonnes/employee)	0.08	0.09
Total hazardous waste[1] (kg)	40	62
Hazardous waste intensity (kg/employee)	0.15	0.25

Note:

1. The total hazardous waste decreased because no waste cartridges generated during the Year.

RESOURCES CONSERVATION

The Group fully recognises that economic development relies on finite resources. Considering that the operations of 中山利發 involve the use of resources such as energy, water, and packaging materials, we are committed to utilising various resources with maximum efficiency, and have set the long-term goal of improving energy and water efficiency in our energy and water resources management.

To effectively control energy and resource consumption, 中山利發 strictly enforces the *Water and Energy Conservation Procedure*, promoting resource-saving habits among all factory employees. The Administration Department conducts daily inspections of air-conditioning temperatures and resource usage, while security personnel carry out night patrols. Any violations are addressed in accordance with the established procedures, including warnings, minor demerits, or major demerits:

- The last person leaving an area must switch off exhaust fans, air conditioners, and lighting;
- Employees must switch off fans and power supplies when leaving their workstations or posts for more than 10 minutes;
- Priority is given to the use of email and electronic systems to minimise paper consumption, and double-sided printing and recycling of paper are strongly encouraged;
- Using water from drinking dispensers for hand washing or cleaning purposes is prohibited.

Additionally, 中山利發 continuously optimises its production processes by adopting advanced technology and equipment, fully practicing the concepts of resource conservation and environmental protection.

Production Workshops

- Introduced energy-saving and environmentally friendly air-conditioning systems, energy-efficient injection moulding machines, and automated intelligent robotic arms
- Introduced advanced pad printing machines and automatic spray guns, lowering the impact of ink volatilisation on employees' health, while further stabilising and improving product quality

The Assembly Department

- Equipped with automatic screwdriving machines and other automated equipment, effectively enhancing energy efficiency and production productivity in the workplace
- Minimised the use of packaging materials to the greatest extent possible
- Established robust procedures to ensure efficient utilisation of raw materials and packaging materials during production and packaging

PROTECTING THE ENVIRONMENT

During the Year, electricity and water consumption of 中山利發 decreased compared with previous years, with no challenges encountered in sourcing suitable water supply. For details of the resource usage data, please refer to the table below.

Use of Resource	2025	2024
Energy Consumption		
Total energy consumption (MWh)	676	786
Vehicle fuel consumption[1] (MWh)	13	23
Electricity consumption (MWh)	663	763
Energy consumption intensity (MWh/employee)	2.51	3.17
Water Consumption		
Total water consumption (m^3)	3,541	3,573
Water consumption intensity (m^3/employee)	13.16	14.41
Package Material[2]		
Paper and paper product consumption (tonnes)	92	93
Paper and paper product consumption intensity (tonnes/employee)	0.34	0.38
Plastic product consumption (tonnes)	70	68
Plastic product consumption intensity (tonnes/employee)	0.26	0.27

Note:

1. The consumption of vehicle fuels is calculated based on the energy conversion factor from the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions for China Electronic Equipment Manufacturing Enterprises (Trial)" issued by the National Development and Reform Commission of the PRC and the fuel density from National Standards of the PRC GB17930–2016 "Gasoline for Motor Vehicles" and GB19147–2016 "Diesel Oil for Motor Vehicles".

2. During the Year, in order to ensure data consistency, the calculation formula has been updated. The intensity is now expressed in tonnes/employee.

RESPONDING TO CLIMATE CHANGE

Climate change has currently emerged as an urgent environmental issue in the world and is a shared responsibility across all sectors. Being aware of the consequences brought by the changing climate, the Group will disclose climate-related information in compliance with *Appendix C2 Environmental, Social and Governance Reporting Code of the Rules* and adopt four pillars framework, Governance, Strategy, Risk Management and Metrics and Targets.

GOVERNANCE

The Group has integrated climate-related risks and opportunities into our existing risk management framework to enhance our resilience by both economic growth and environmental protection. The Board takes as a highest governance body, overseeing our climate-related issues and execution progress. The ESG Working Group executes our strategic objectives, overseeing the implementation of climate-related actions and plans, and regularly reporting on the progress of climate-related assessments.

The Board regularly reviews the Group's overall climate-related performance and monitors our progress towards climate-related targets by integrating them into the agenda of regular meetings at least once a year. The Board is responsible for ensuring our strategies are keeping on the right track, making revision if necessary to address climate matters. Furthermore, the Board participates in our climate risk management, considering the potential impacts of climate-related risks and opportunities on business development and operations, allowing the major transaction and the implemented policies and strategies are under reviewed.

The Group supports the Board strengthening their expertise in climate-related knowledge and capabilities to fulfil its oversight role. We will arrange specialised learning resources and organising targeted internal training sessions to deliver climate-focused knowledge by external professional institutions. These allow the Board to navigate complex climate challenges and stay abreast of the latest developments in climate risks and opportunities.

The Group has recently adopted climate-related management and optimising our risk management structure, thereby not yet incorporated climate-related performance indicators into our remuneration policy or governance frameworks. However, we will integrate this elements into our remuneration policies when conditions matures.

The above well-structured climate governance framework allows the Group to systematically address the climate-related risks and opportunities, ensuring our management is on the right track and seeking the opportunities to set future development directions.

STRATEGY

The Group takes the responsibility to minimise the potential risks brought by the climate matters. We have performed the climate-related risk assessment, evaluate the potential impacts may bring to our business model, value chain and financial performance, hence formulating the corresponding mitigation measures.

During the Year, the Group conducted our first comprehensive climate scenario analysis (the "Analysis") to identify and address climate-related risks and opportunities, in response to growing global demands for enhanced transparency in climate-related disclosures. The Analysis evaluated different climate scenarios by integrating and assessing various factors that could pose physical and transition risks and opportunities:

Physical Risks	Risks related to physical impacts of climate change, which can be event-driven (acute risks) or caused by longer-term shifts in climate patterns (chronic risks).
Transition Risks	Risks related to the transition to a lower-carbon economy, which may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

The Group selected scenario assumption models and relevant parameters published by the Sixth Assessment Report (AR6) of the Intergovernmental Panel on Climate Change ("IPCC") and the Phase 5 public release of the Network for Greening the Financial System ("NGFS"). These include both low-emission and high-emission scenarios, which provide high contrast and comprehensively consider physical and socio-economic impacts across different greenhouse gas ("GHG") emissions pathways. The selected scenarios are also aligned with China's Dual Carbon targets and the Hong Kong Government's goal of achieving carbon neutrality by 2050.

The time horizons for assessing the anticipated impact of risks are divided into short-term (2030), medium-term (2040), and long-term (2050), consistent with the nature of the Group's business, our strategic goals, and the aforementioned national and local climate initiatives. The scope of the Analysis is aligned with the "Reporting Scope" section outlined in this Report.

In conducting the Analysis, the Group assumed no changes to our existing mitigation policies or the reporting scope within the anticipated impact range of risks. The selected climate scenario models represent followings:

Physical Risks Analysis		
Scenario Used	IPCC Climate Model: SSP 1–2.6 Low GHG Emissions Scenario	IPCC Climate Model: SSP 5–8.5 Very High GHG Emissions Scenario
Description	Global warming reaches 2.0ºC. Governments' social, economic and clean energy transitions align with historical trends. Stringent policies amplify transition risks for enterprises, while physical risks remain notable.	Global warming exceeds 4ºC. Delayed government climate action, stalled emission reduction/adaptation and insufficient policies drive extreme climate impacts, increasing enterprises' immediate and long-term physical risks.
Transition Risks Analysis		
Scenario Used	NGFS: Net Zero 2050	NGFS: Current Policies
Description	Early adoption of stringent climate policies. By reducing energy demand and advancing low-carbon technologies, it aims to limit global warming to well below 1.5ºC and achieve global net-zero carbon dioxide emissions around 2050.	Only currently implemented climate policies remain in place, leading to continued growth in GHG emissions. Global warming is projected to about 3ºC at the end of century, resulting in severe physical risks.

Climate-related Risks and Opportunities

The Group believes that integrating both qualitative and quantitative assessments provides a more comprehensive understanding of climate-related risks and opportunities. However, due to operational data being dispersed across multiple business units, the absence of a widely recognised industry-standard methodology, and the integration of mitigation measures into daily operations, including continuous energy saving and improvement initiatives, we are currently unable to provide quantified cross-industry metrics or reliable data on current and anticipated financial impacts, capital expenditure, financing, or investment in a reasonable and cost-effective way. However, in the event of any material change in our operational strategy, we will disclose the relevant financial impacts on our financial position, operating performance, and cash flows.

Despite these limitations, the Group has performed a detailed qualitative assessment with input from the Board. The climate related risks and opportunities are prioritised regarding the likelihood and significance of impacts:

Impact Level	Definition
	Require immediate action and prioritised management strategy planning.
	Require management strategy planning and implementation tracking.
	Need to be monitored consistently.
	Handle through existing standard processes.
	Can be temporarily deprioritised.

Within the anticipated impact horizon, the Group has identified 3 climate-related risks and opportunities across four reference scenarios based on the IPCC and NGFS climate models. The results are shown as follows:

Key Affected Area:

中山利發, based in Nanlang Town, Zhongshan City, focuses on the manufacturing and sale of toys, plastic, novelty and decoration products

Category	Impact Level			Potential Impacts
	Short-term	Medium-term	Long-term	
Physical Risk Heavy Rainfall (Acute)				**Business Model:** • Reducing output reliability due to the disruption of manufacturing operations • Damaging to our factory facilities caused by floods and waterlogging **Value Chain:** • Affecting product exports to Asia, US, and Europe due to logistics delays **Financial Performance:** • Losing revenue from production halts
Transition Risk Market: Phasing Out Plastic from Toys				**Business Model:** • Failing to adapt by shifting from cost-competitive plastic manufacturing toward sustainable alternatives **Value Chain:** • Facing indirect pressure via global supply chain expectations **Financial Performance:** • Reduced sales due to the limited access to regulated markets and erode competitiveness
Opportunity Tighter Regulation (e.g., China's updated GB 6675.1–2025 Toy Safety Standard, limiting on VOCs emissions)				**Business Model:** • Repositioning both segments (toys and decor) toward sustainable lines such as eco-friendly plastic toys and low-chemical hardware toys **Value Chain:** • Improving brand reputation to support broader sales • Accessing new channels such as eco-retailers and green e-commerce in Europe/US and Asia markets **Financial Performance:** • Growing revenue from premium sustainable products and market share gains

While the Group had not previously conducted a climate scenario analysis in the previous year or has not developed a climate transition plan, we have dedicated human resources and internal capital to identifying physical risks and formulating mitigation measures, integrating these into our core operational policies. We have also identified the material Scope 3 emissions categories relevant to our operations to accelerate decarbonisation and strengthen overall climate resilience.

Demonstrating the Group's commitment to reducing GHG emissions, we have formulated an emergency plan for natural disasters, outlining emergency evacuation procedures when extreme weather events occur. During the Year, the Analysis has uncovered additional latent risks and opportunities. Building on our existing mitigation efforts, we will expand these measures and introduce the following response strategies, aligned with the identified risks and opportunities and their assessed risk levels:

Climate-related Risks	Mitigation Measures
Physical Risks	
Heavy Rainfall	• Evaluating the level of climate vulnerability based on supplier locations from geographically dispersed • Implementing flood prevention and waterlogging prevention measures to avoid the impact of heavy rainfall on factory facilities
Transition Risks	
Phasing Out Plastic from Toys	• Embedding sustainability KPIs into sales team incentives • Accelerating research and development investment into bio- based, recyclable, and FSC-certified materials • Considering to arrange annual training for suppliers and staff on regulatory requirements
Climate-related Opportunities	**Resilience Strategies**
Tighter Regulation	• Arranging dedicated personnel to track international climate disclosure trends, promptly response plans will be prepared accordingly if any updates arise

During the Year, the Group did not have any capital expenditure, financing or investment dedicated to climate-related risks and opportunities. While we have taken proactive steps to strengthen climate resilience, we recognise that notable uncertainties remain in the external environment, including the pace of global and regional climate policy changes, the evolving severity of physical risks driven by climate change, and potential future regulatory requirements. However, we are confident in our strong adaptive capabilities, which enable us to flexibly adjust strategies and business models across anticipated time horizons. By integrating climate considerations into daily strategic planning and operational management, we are well positioned to respond effectively to emerging risks, policy shifts, and market dynamics.

Currently, no carbon pricing mechanism materially affects the Group financially due to the present stage of market maturity and limited industry coverage, carbon pricing has not yet been applied in decision-making. Nevertheless, we will continue to closely monitor developments in carbon pricing mechanisms and assess their potential impact and relevance as conditions evolve.

RISK MANAGEMENT

The Group manages climate-related risks and opportunities through a structured framework. Our assessment processes consider factors such as asset location and type, historical exposure to extreme weather events, and energy consumption patterns. The Analysis draws on publicly available climate data from recognised scenario sources and supplemented by internal utility consumption records. Climate-related risk drivers have been mapped against our existing risk register and fully integrated into the overall risk management framework. With input from stakeholders, the Board and management team evaluate the likelihood and potential impact of these risks to determine priority response actions. During the Year, there were no significant changes to our overall risk management system.

The climate-related risk and opportunity management process is outlined below:

1. Identification:	The Group conducts benchmarking, stakeholder consultations, and research on climate trends to perform scenario analyses. This enables the identification of physical and transition risks, as well as corresponding opportunities, across its operations within the reporting scope.
2. Assessment:	The Group performs a comprehensive evaluation of climate-related risks and opportunities, analysing their potential impacts on the business model, value chain, and financial performance.
3. Prioritisation:	Based on the assessment results, the Group prioritises identified risks and opportunities according to their likelihood and significance, ensuring alignment with overall business objectives.
4. Monitoring:	The Group develops risk response and opportunity realisation strategies and regularly evaluates their effectiveness based on identification and assessment outcomes. The management team and relevant departments report on the identification, assessment, and management of climate-related risks and opportunities to the Board, thereby enhancing oversight and ensuring effective implementation of climate actions.

METRICS AND TARGETS

To mitigate the intensifying impacts of climate change, the Group is actively implementing our GHG reduction plan and embedding sustainable practices across all operations. During the Year, we have established new climate-related targets, using the current year as the baseline year, in order to monitor our progress and implement relevant measures. Our targets are outlined as follows:

Aspects	Targets
GHG Emissions	Using 2025 as the baseline year, the Group targets a 3% reduction in Scope 2 emissions intensity by 2030.
Electricity Consumption	Using 2025 as the baseline year, the Group targets a 3% reduction in electricity consumption intensity by 2030.

Although the current targets and methodologies have not yet been third-party verified or aligned with industry-standard decarbonisation methodologies, and the Group has no plans to use carbon credits to offset emissions, the Board annual reviews progress, monitor the carbon credit market, and assess the relevance of the targets in line with China's Dual Carbon goals and Hong Kong's commitment to carbon neutrality by 2050.

During the Year, the Group conducted a thorough identification, assessment, and verification of GHG emissions across our operations to strengthen emissions management. We have established formal carbon emissions accounting policies for Scope 1 and Scope 2 emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). We also completed a full identification of Scope 3 GHG emissions across all categories, following the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). After considering emission scale, data availability, and stakeholder priorities, we have identified Category 5: Waste generation in operations.

GHG Emissions[1, 2, 3]	2025	2024
Total GHG emissions (tCO_2e)	298	337
Scope 1 — Direct GHG emissions[4] (tCO_2e)	3	5
Scope 2 — Indirect GHG emissions[5] (tCO_2e)	287	330
Scope 3 — Other indirect GHG emissions[6] (tCO_2e)	8	2
Category 5: Waste generation in operations[7]	8	N/A
GHG emissions intensity (tCO_2e/Employee)	1.11	1.36

Notes:

1. The Group's GHG inventory includes carbon dioxide, methane and nitrous oxide, and the GHG emissions data is presented in carbon dioxide equivalent (CO2e). The calculation of GHG emissions is based on the reporting requirements of "Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEX.

2. The environmental KPIs apply only to our factory's operation 中山利發.

3. The Group adopts an operational control approach for accounting GHG emissions, defining the reporting scope based on our authority to implement operational policies throughout its business activities. This offers an accurate reflection of our actual responsibility in carbon emissions management while strengthening implementations to ensure the accounting results align with our sustainability goals.

4. Scope 1 includes direct emissions from the consumption of vehicle fuels of the Group. The emission factors used for calculating emissions is based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions for China Electronic Equipment Manufacturing Enterprises (Trial)" issued by the National Development and Reform Commission of the PRC. During the Year, the Scope 1 emissions decreased due to our effective emissions management measures.

5. Scope 2 includes indirect emissions from purchased electricity of the Group. The emission factors used for calculating emissions is based on from the "Average Carbon Dioxide Emission Factors of China Regional Power Grid 2011 and 2012" issued by the National Development and Reform Commission of the PRC. During the Year, the Scope 2 emissions decreased due to our effective energy management measures, guiding our employees to minimise their energy usage.

6. Scope 3 includes other indirect emissions of the Group. During the Year, the Scope 3 emissions increased due to our reclassification of emissions category. We are committed to improve our waste management strategy, aiming to reduce our emissions and environmental impacts.

7. Category 5 includes the GHG emissions from waste and paper disposal, as well as water treatment. The emission factor is based on the China Product Carbon Footprint Factors Database, "Reporting Guidance on Environmental KPIs" issued by HKEX, and Shenzhen Water (Group) Co., Ltd.

STRINGENT RECRUITMENT PROCESS

Talent is the core driving force on the Group's path of sustainable development. In the formulation and implementation of our employment policies and systems, we have strictly complied with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other relevant laws and regulations, safeguarding the legitimate rights and interests of our employees while laying a solid human resource foundation for our long-term and steady development.

In the recruitment process, the Group adheres to the principle of "Open Recruitment, Comprehensive Assessment and Meritocratic Appointment" and has established the *Employee Recruitment Policy* and the *Anti-Discrimination Policy*, setting recruitment requirements according to the position, job nature, technical skills, educational qualifications, and work experience while prohibiting any form of discrimination on the grounds of race, nationality, religious belief, social origin, disability, gender, sexual orientation, age or other factors. All applicants who meet the technical requirements, educational background, and relevant work experience of the position are given equal opportunities for interview. Should any discrimination occur, employees may lodge a complaint with the Administration Department, the General Manager, or the Executive Director.

To effectively eliminate the risk of child labour, the Group has formulated and strictly implements the *Policy on Prohibition of Child Labour*. The policy clearly defines child labour as any person under the age of 16 and prohibits us and all our suppliers from recruiting or using child labour. During the recruitment process, the Human Resources Department strictly verify applicants' identity documents and conduct background checks in accordance with the recruitment guidelines to ensure the authenticity of their age. In the event that child labour is inadvertently recruited due to false information provided by the applicant, we will immediately arrange for the individual to be returned to their place of origin and ensure that they can continue their education. Any related injuries or other issues will be handled appropriately in accordance with relevant laws and regulations.

Additionally, the Group places great importance on employees' fundamental rights and freedoms, including freedom of employment, freedom to resign, voluntary overtime, and freedom of movement. To prevent forced labour, we clearly stipulate that normal working hours shall not exceed 40 hours per week, and overtime must be pre-approved by an authorised supervisor. 中山利發 has obtained the ICTI Ethical Toy Program ("IETP") certification issued by the International Council of Toy Industries ("ICTI")[2], demonstrating our commitment to international standards in refusing the use of child labour or forced labour and respecting employees' rights.

[2] ICTI is a non-profit organisation registered in the U.S., its certification guarantees that products of children toy product manufacturers are produced under safe and humanitarian conditions and in harmless and sustainable factory environment.

CARE FOR EMPLOYEES

During the Year, 中山利發 employed a total of 269 employees, all of whom are full-time employees working in China. The number of employees and turnover rate by different categories are set out in the table below:

	2025	2024
Total Employee	269	248
By Gender		
Male	107	94
Female	162	154
By Age Group		
< 30	41	35
30–50	121	124
> 50	107	89
By Employment Type		
Full-time	269	248
Part-time	0	0
By Region		
Chinese Mainland	269	248
Other	0	0
Employee Turnover Rate (%)		
By Gender		
Male	11	5
Female	9	12
By Age Group		
< 30	24	14
30–50	9	8
> 50	6	9
By Region		
Chinese Mainland	10	9
Other	N/A	N/A

EMPLOYEE BENEFITS

The Group places great importance on employees' welfare and firmly believes that employees' job satisfaction and sense of belonging are key to driving our sustainable development. In managing employee benefits, we adhere to the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Employment Ordinance of Hong Kong* and other relevant laws and regulations. On top of providing statutory benefits, we proactively implement additional welfare measures to enhance the overall well-being of our employees.

The Group has formulated the *Holiday and Welfare Policy* and implements statutory working hours and leave arrangements, while providing reasonable overtime compensation which not less than the statutory standard. Beyond statutory public holidays, employees are entitled to paid annual leave, marriage leave, compassionate leave and maternity leave. We also offer competitive market remuneration packages and conduct regular salary reviews and adjustments based on individual performance and our overall results.

To motivate employees' continuous improvement and career development, the Group implements an annual performance appraisal system, evaluating employees based on capability, behaviour, and experience and work performance. 中山利發 has established the Promotion Policy, which uses morality, ability, diligence and performance as core evaluation criteria, offering clear promotion pathways for outstanding talent. Adhering to "Fairness, Openness, Transparency and Merit-based Selection", priority is given to suitable internal candidates. External recruitment is only conducted when no suitable internal candidate is available. 中山利發 also encourages employees to self-nominate, receive departmental recommendations or participate in competitive selection. Successful cases are announced in the form of internal circulars after review by the Human Resources Department, ensuring our promotion process is well-regulated, fair and reasonable.

Regarding internal grievance channels, the Group is committed to fostering a harmonious and inclusive working environment and resolutely eliminates any form of workplace discrimination, harassment, bullying or unfair treatment. Equal treatment is ensured in all stages, including new recruitment, daily work, promotion and training. We have established a comprehensive grievance mechanism through which employees may submit opinions or complaints to management in writing or by telephone. Upon receipt of a complaint, we will promptly investigate the facts and take effective remedial measures.

During the Year, the Group organised activities such as the annual dinner to recognise employees' contributions and provide opportunities for relaxation, thereby strengthening team cohesion and sense of belonging.

HEALTH AND SAFETY

The Group strictly complies with the *Law of the People's Republic of China on Work Safety*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other relevant labour safety and health regulations.

Fostering a workplace culture of "Safety First, Prevention Foremost", the Group provides employees with personal protective equipment suitable for their positions, arrange preventive vaccinations, regular medical examinations based on the nature of their work. Should any abnormalities be detected during health checks, the employee concerned will be temporarily suspended from work and arranged for further medical assessment and follow-up.

The Group regards employee safety as our primary responsibility, and has formulated the *Safety Management System* and the *Emergency Response Procedures for Industrial Accidents, Natural Disasters and Fire*. In the event of emergencies such as fire, power outage, chemical leakage, explosion or natural disasters, we aim to quickly and orderly protect employees' lives and minimise losses. All employees should adhere to safety regulations and be trained to understand our health and safety policies and practices, as well as emergency response knowledge. In the event of emergencies such as chemical leakage or explosion, we will promptly deploy emergency response personnel to lead employees to evacuate to safe areas in an orderly manner. Root cause analysis will also be conducted to prevent recurrence of similar incidents. During the Year, there were no lost workdays due to work-related injuries and no work-related fatalities at 中山利發 in the past three years, demonstrating our strong commitment and effective management in ensuring employee safety.

To ensure fire safety, the Group has established a fire emergency plan, requiring employees to study fire safety regulations and acquire basic knowledge of fire prevention, firefighting, escape and first aid. We also regularly organise fire safety training and drills to strengthen employees' fire awareness. Additionally, we ensure that fire escape routes, fire hydrants, emergency staircases and all safety exits remain unobstructed at all times to protect employees' lives.

The Group has also established an Occupational Health and Safety Committee, responsible for supervising the implementation and optimisation of occupational safety and health policies. In addition to internal regular inspections and risk assessments, we engage professional third-party testing institutions to regularly monitor occupational hazards in the factory such as toxic gases, noise and dust. In the event of any work-related injury, the incident must be reported immediately in accordance with established procedures. The Committee will conduct root cause analysis and formulate corrective and preventive actions, aiming to minimise the risk of employee accidents to the lowest level.

During the Year, 中山利發 conducted an occupational disease hazard factors detection and evaluation. Through the independent assessment performed by a qualified professional technical service institution, all 13 key workplace positions remained well within the national occupational exposure limits, demonstrating our effective implementation of workplace health controls and full compliance with relevant occupational health standards.

TRAINING AND DEVELOPMENT

The Group places great importance on the all-round development and capability enhancement of our employees. To enhance human resource performance and improve overall employee quality, we have formulated the Training Management System, which serves as the basis for the planning, implementation, supervision, assessment and continuous improvement of employee training programmes. The system clearly defines the division of responsibilities, with the Human Resources Department as the primary responsible unit and all departments providing support in execution. It covers training needs assessment, formulation of quarterly or annual plans, budget review, record keeping and effectiveness tracking, ensuring that training is conducted in a planned and systematic manner.

The Group's training programmes address the needs of employees at different development stages, ensuring the quick employees' adaption to their positions and continuously enhance their professional competencies. The training programmes mainly consist of the following three categories:

1. **Induction training: Provided to all new employees**

   The content covers our introduction (including development history, future prospects, corporate culture, organisational structure, departmental distribution and functions), introduction to company policies and product knowledge, aiming to assist new employees in quickly integrating into the working environment, understanding our values and smoothly transitioning into their roles.

2. **Internal training: Applicable to all employees**

   The content covers technical and management professional knowledge, as well as areas of interest to employees in the form of lectures, seminars, sharing sessions and other interactive formats, aiming to promote internal knowledge sharing and fostering a team-based learning atmosphere.

3. **External training: Applicable to all employees**

   The training covers professional technical knowledge as well as strategic and developmental topics, aiming to leverage external expertise to enhance employees' professional standards, industry insights and work efficiency in their respective roles through participation in external public courses, industry exchange seminars, or by inviting external experts to deliver lectures.

Through the above multi-tiered training system, the Group ensures that employees' knowledge and skills are systematically enhanced, and their development is closely aligned with our long-term strategic goals.

During the Year, 中山利發 promoted employee training and development. All employees participated in various forms and types of training, achieving a training participation rate of 100%, demonstrating our continuous investment in talent and capability enhancement. The average training hours per employee are set out in the table below:

Average Training Hours of Employees (Hours)[1]	2025	2024
By Gender		
Male	1	1
Female	1	1
By Employee Category		
Senior	53	50
Mid-Level	15	15
Junior	1	1

Note:

1. Due to the optimisation of calculation methodologies, the 2024 figures were restated.

SUPPLY CHAIN MANAGEMENT

As a toy product manufacturer, the Group regards robust and compliant supply chain management as critical to our sustained business success. We have established a supply chain security management system in accordance with global security verification standards and have obtained relevant accreditation. This system aims to strengthen import and export protection, effectively identify, mitigate and eliminate potential security risks in the supply chain, while controlling logistics risks, improving delivery efficiency and reducing costs. We also ensure that our cooperating suppliers comply with the requirements of the IETP to maintain product quality.

The Group has formulated the *Supplier Assessment Management Procedure* and the *Procurement Control Operating Procedure*, regarding the principles of openness, fairness, impartiality and scientific selection of the best. The supplier selection and assessment process covers the full cycle, including sourcing, qualification review, sample approval, written or on-site assessment, approval for listing and ongoing monitoring. When selecting suppliers, we comprehensively consider factors such as product quality, supply stability, service level, manufacturing capability and quality management standards. We also require suppliers to comply with the laws and regulations of their place of operation, uphold business ethics and maintain integrity and trustworthiness.

For critical raw materials or new suppliers, the Procurement Department, Quality Control Department and other relevant departments form a cross-departmental assessment team to conduct on-site inspections. The assessment covers factory facilities, technical capabilities, on-site production management and whether the supplier has obtained international quality system certifications such as ISO 9001. Qualified suppliers are added to the approved supplier list after approval by the General Manager or Factory Director, serving as a priority reference for procurement.

Regarding approved suppliers, the Group conducts annual reviews. The Procurement Department and Quality Control Department update the list based on performance in delivery timeliness and quality. Suppliers failing to meet the standards are required to make improvements within a specified period. Those who still fail to meet the requirements after follow-up will have their qualification revoked.

With respect to potential environmental and social risks in the supply chain, the Group incorporates them as core considerations in supplier assessment. When evaluating suppliers, we prioritise suppliers that comply with national, regional and industry environmental standards and possess energy management systems or social risk management certifications. We also strictly monitor suppliers' integrity and ensure their compliance in relevant laws and regulations and employee rights. A zero-tolerance approach adopted towards any unethical conduct, bribery, corruption or other business practices that violate local or international laws and regulations. Any supplier found engaging in such behaviour will immediately have its approved supplier status revoked.

In addition, the Group integrates environmental considerations into procurement and supply chain management. For suppliers with comparable performance, we prioritise the "Local Sourcing" principle to reduce transportation carbon footprint. While meeting production needs, we prefer materials with environmental labels, such as eco-friendly materials or low-carbon products. We also encourage employees to pay attention to product shelf life and prioritise the use of earlier-purchased items to avoid unnecessary waste.

During the Year, the Group has a total of 3 major suppliers from China, Japan and South Korea respectively.

QUALITY CONTROL

The Group believes that providing safe, healthy and high-quality toy products to customers of different age groups is our core corporate responsibility. We comply with the *Law of the People's Republic of China on Product Quality* and other relevant product safety regulations. Through our quality control system certified under ISO 9001:2015, we ensure the safety and reliability of the entire value chain from raw materials to finished products.

In terms of raw material inspection, upon arrival, the Quality Control Department conducts stringent verification and sampling tests. The Group engage independent third-party testing centres to verify the presence of hazardous substances and safety compliance annually. Only materials that pass the inspection are allowed into the warehouse to facilitate future product traceability. Non-conforming materials are rejected and returned.

During the production of finished goods, 中山利發 has established a series of inspection and release procedures, with final inspections conducted by professional quality inspectors. At key stages such as injection moulding, spray painting, assembly and packaging, we implement regular sampling inspections to ensure that every product meets national and international standards.

To promptly address potential safety risks in shipped products, the Group has formulated the *Product Recall Procedure*, a clear mechanisms for traceability, recall and notification. We take decisive action on any products that may pose potential safety or health risks and handle recalled items regarding the *Non-conforming Product Control Procedure*. We also conduct annual simulated recall drills to optimise our emergency response capabilities. During the Year, 中山利發 did not record any product recall events due to safety or health concerns.



Our Quality Control Procedure

INTELLECTUAL PROPERTY PROTECTION

The Group has formulated the *Customer Intellectual Property Protection Policy* to safeguard our clients' brands and mutual interests, prevent trademark infringement and eliminate intellectual property risks. The policy clearly sets out relevant codes of conduct and management requirements and applies to all clients' brands, design drawings and production processes under Original Equipment Manufacturer (OEM) orders, covering trademarks, colour boxes and other finished products and materials.

Prior to order acceptance and production, the Group requires our sales personnel to identify clients' brand requirements and verify through channels such as the *China Trademark Network* and the *China Customs Intellectual Property Recordation Information Inquiry*. When entering into sales contracts, we shall request clients to provide trademark registration certificates and sign trademark usage authorisation agreements. Without the client's written permission, we are strictly prohibited from unauthorised use, forwarding to third parties, selling, giving away, destroying or promoting any products or materials containing brand information. Upon termination of cooperation with a client, we will conduct an inventory check and handle the remaining stock according to the client's instructions, including providing certificates of destruction where required.

In addition, the Group manages product labelling and advertising in accordance with laws and regulations such as the *Advertising Law of the People's Republic of China*. All advertising content must be approved by management to ensure full legal compliance. We also strictly follow product characteristics, technical requirements and client instructions when using packaging labels to ensure that all information is accurate. Through the above controls, we effectively protect the intellectual property rights while minimising the risk of infringement.

CUSTOMER COMPLAINTS

The Group regards customer satisfaction as the core driving force for sustainable development. We have formulated the *Customer Service Management Procedure* to ensure efficient communication and complaint handling. Customers may express their opinions or lodge complaints regarding our products via telephone, in writing, email or face-to-face meetings. The Quality Control Department is responsible for receiving, recording and categorising such complaints, and responds promptly according to the severity level (minor, moderate or major) while seeking approval from superiors as necessary. Upon receipt of a complaint, we immediately initiate an investigation and root cause analysis. If a product quality or safety issue is confirmed, we will decisively recall the relevant batch, suspend market sales, and proactively contact the customer to provide solutions.

During the Year, 中山利發 received 2 complaints related to products and services. All complaints were promptly and satisfactorily resolved by reshipping qualified products to the customers concerned, demonstrating our rapid response and strong sense of responsibility.

The Group conducts annual customer satisfaction survey, covering at least 60% of our customers with 80% of response rate. The survey focuses on key aspects including communication effectiveness, response speed, delivery accuracy, product quality, pricing, and pre-sales and after-sales service. The survey results are scored and graded, and improvement plans are formulated to address any shortcomings, with continuous follow-up conducted. The consolidated report is used by management for decision-making, continuously enhance the quality of our products and services.

INFORMATION CONFIDENTIALITY

The Group strictly complies with the *Personal Information Protection Law of the People's Republic of China* and other relevant local data confidentiality laws and regulations to ensure comprehensive protection of the information security. During the product development process and the protection of our internal confidential information, we have formulated stringent data confidentiality policies and procedures. All employees are strictly prohibited from disclosing any confidential information of customers or us to third parties in any form, including verbally, in writing, via email or on social media. Without explicit prior approval from superiors, employees are not allowed to access, copy or use our confidential files without authorisation. All confidential documents are subject to hierarchical management and access control, and are accessible only to authorised personnel.

The Group also provides dedicated data confidentiality training to all new employees. The training covers confidentiality obligations, identification of leakage risks, compliance requirements and the consequences of violations, ensuring that every employee fully understands the importance of data confidentiality from the commencement of employment.

ANTI-CORRUPTION

The Group is committed to promoting anti-corruption efforts in our business activities. We strictly comply with laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, including the *Criminal Law of the People's Republic of China* and the *Bidding Law of the People's Republic of China*. We require all employees to strictly adhere to our code of business ethics and conduct in daily operations, explicitly prohibiting any form of commercial bribery, such as accepting gifts, money or entertainment beyond normal business courtesy from stakeholders.

To enhance employees' awareness of integrity, the Group regularly organises anti-corruption training. During the Year, we provided training on the code of business conduct, bribery prevention, and gifts and hospitality to 20 middle and senior management personnel. The training aims to foster a corporate culture of integrity and effectively reduce corruption risks.

In terms of internal oversight, the Group has established a dedicated department for the prevention of commercial bribery and implemented integrity procedures to monitor compliance with national anti-commercial bribery regulations. This department strengthens prevention at the source and fulfils its disciplinary inspection and supervision responsibilities. We also provide multiple reporting channels, including a complaint box and a dedicated hotline, to encourage employees and relevant parties to report any improper conduct. Upon receipt of a report, the supervisory department will promptly conduct an independent investigation, take corrective actions, and strictly protect the identity and privacy of the whistleblower.

During the Year, the Group and our employees were not involved in any corruption lawsuits or cases, which fully reflects the effectiveness of our anti-corruption measures.

COMMUNITY ENGAGEMENT

In parallel with our business growth, the Group is deeply committed to giving back to society through active participation in charitable initiatives and the strategic use of resources to support local communities. With a strong focus on helping the underprivileged and partnering with charitable institutions, we express our sincere gratitude and sense of responsibility towards the communities we serves. We regularly engage with local governments and non-profit organisations to gain insights into community needs and ensure that these are taken into account in our operations. Employees are also encouraged to contribute to charitable causes, helping those in need and advancing social welfare. During the Year, we maintained our practice of organizing a monthly charity donation event at the office, resulting in a total donation of RMB6,000 to various social service organisations.

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A1.2	[Repealed 1 January, 2025]		
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Waste Management	6
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Waste Management	6
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions Handling	5
A1.6	Description of how hazardous and non-hazardous wastes are handled and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	6
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