WINSHINE
瀛晟科學

Winshine Science Company Limited

瀛 晟 科 學 有 限 公 司*

(Incorporated in Bermuda with limited liability)

Stock Code: 209



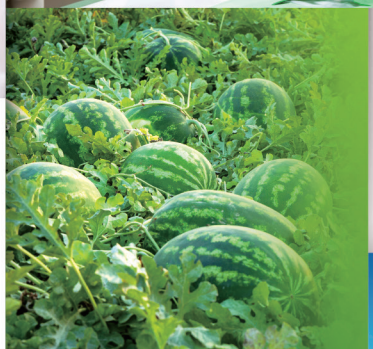


2025

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT







* For identification purpose only

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The Chinese version of this report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.



Environmental, Social and Governance Report

REPORT OVERVIEW

Winshine Science Company Limited (the "**Company**", together with its subsidiaries referred to as the "**Group**") is delighted to present the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**"). The ESG Report summarises the Group's key ESG issues, initiatives, and the sustainability performance of its principal business for the year ended 31 December 2025 ("**FY2025**"). The ESG Report has been prepared in response to stakeholders' expectations and concerns regarding the sustainable development of the Group.

REPORTING STANDARD

The ESG Report has been prepared in accordance with the ESG Reporting Code (the "**ESG Reporting Code**") set out in Appendix C2 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or the "**HKEX**"). It follows the principles of materiality, quantitativeness, balance and consistency.

This ESG Report was compiled in compliance with the "Mandatory Disclosure Requirements" and the "Comply or Explain" provisions in the ESG Reporting Code. This ESG Report has been reviewed and approved by the Board of Directors of the Company (the "**Board**" or the "**Director(s)**").

REPORTING SCOPE

For the purpose of this ESG Report, the Group has reviewed its core business activities and operations in terms of their environmental and social objectives, policies and practices, and their impacts and performances.

The Group identifies the reporting scope by considering the materiality principle, its core business and its main revenue source. The reporting scope of this ESG Report focuses on the Group's principal activities in manufacturing and sale of toys (the "**Toys Division**") and the Group's office operation (the "**Office Operation**"). The Toys Division covers all the operation and activities of subsidiaries in the People's Republic of China (the "**PRC**"), including a factory located in Zhongshan, as well as those in Hong Kong which principally engaged in the manufacturing and sale of toy products. The Toys Division generated revenue that accounts for 100% of the revenue of the Group for FY2025. The Office Operation refers to the office-based operation of administrative and finance departments in Hong Kong which has immaterial impact on environment.

Accordingly, the Environmental Aspects will cover the data collected from Toys Division only whereas the Social Aspects will cover data collected from both the Toys Division and the Office Operation.

ESG OBJECTIVES AND STRATEGIES

The Group operates in strict compliance with the principles of minimising risks associated with the listed ESG subject areas and aspects mentioned in the ESG Reporting Code, including but not limited to complying with legal and regulatory requirements, adhering to high ethical standards, and reducing the negative impacts on the environment.

Furthermore, the Group also cherishes those that are part of its family by going beyond basic compliance with above-mentioned ESG Reporting Code. The Group strives to enhance employee well-being, generate stakeholder value, and support community inclusion and growth within the Group's operations.

GOVERNANCE STRUCTURE

The Board is responsible for the sustainable development of the Group and guiding the fulfillment of its corporate social responsibilities. The Board believes that focusing on resource management and occupational safety and health will help the Group achieve its established vision and mission. The Board is confident that prioritising ESG management can enhance the Group's corporate image, mitigate ESG risks, and strengthen its capability to comply with relevant laws and regulations. These efforts will further improve the Group's competitiveness and promote the sustainable development of its businesses.

The Group's ESG philosophy is to create long-term value for stakeholders in alignment with the strategic development and sustainability of its business. The Group is committed to maintaining a rigorous corporate governance framework that promotes and safeguards the interests of its shareholders and other stakeholders, thereby upholding the Group's credibility and reputation. The Group will continue to seek ways to develop its business in a more efficient and environmentally friendly manner, while remaining steadfast in its mission to build an inclusive and sustainable society.

Throughout FY2025, the Group maintained the same ESG management structure and processes as in the previous reporting period (1 January 2024 to 31 December 2024, "**FY2024**"). The Group fully recognises that ESG policies and practices may evolve over time to reflect changes in business operations, organisational structures, technologies, laws and regulations, and the environment. Accordingly, the Group continues to invest substantial resources to monitor ESG issues, policies, practices, and performance on an ongoing basis.

The Group's ESG strategies, management policies, and approaches are grounded in compliance with relevant legal and regulatory requirements, the principle of sustainability, and the views of its key stakeholders. The Group's vision, goals, and ESG management framework can be summarised in the following statements:

1. The Group is committed to successfully undertaking its businesses, while providing strong returns to its investors and supporters, mitigating risks associated with its operations, ensuring a healthy and safe working environment to its employees, and contributing to sustainable developments for the local communities and the Group.

2. The Board from time to time approves and updates strategies and policies which are incorporated with the related environmental and social issues stated in the ESG Reporting Code. The Board has assigned each department to implement ESG policies in accordance with the respective operations and activities. Through their normal and routine channels, all departments report directly to the Group's chief executive officer (the "**CEO**"), who has the overall responsibility to ensure that the Board's approved strategies and policies are implemented. The departments are responsible for assisting and advising the Board in managing ESG matters such as identifying ESG risks and opportunities, managing ESG issues as well as collecting data regularly for the review of the ESG performance. The working group reports to the Board on an annual basis.

3. It is the duty of the Group's CEO and his operation managers (collectively, the "**Management Team**") to examine and address all the environmental and social issues detailed in the aspects and areas in the ESG Reporting Code.

4. To promote comprehensive risk management within the Group, the Group has made a basic assessment of relevant ESG risks through the Board's extensive understanding of the business and communication with different stakeholders and incorporated the relevant risks into the risk management and internal control system.

REPORTING PRINCIPLES

The Group has compiled the ESG Report in accordance with the following reporting principles:

Materiality: The Group has identified the materiality of ESG topics by stakeholder engagement and materiality assessment. The details are explained in the sections of "Stakeholders Communication" and "Materiality Assessment".

Quantitative: Under feasible situation, the Group recorded, calculated and disclosed quantitative information and conducted comparisons with past performance, if applicable. Details of the calculation standards/methods for the reporting of emissions/energy consumptions are disclosed together with the data tables in relevant sections.

Balance: The Group objectively and truthfully reported its current year ESG performance.

Consistency: The methodology adopted for disclosing key environmental and social performance indicators is consistent with that of the previous reporting period.

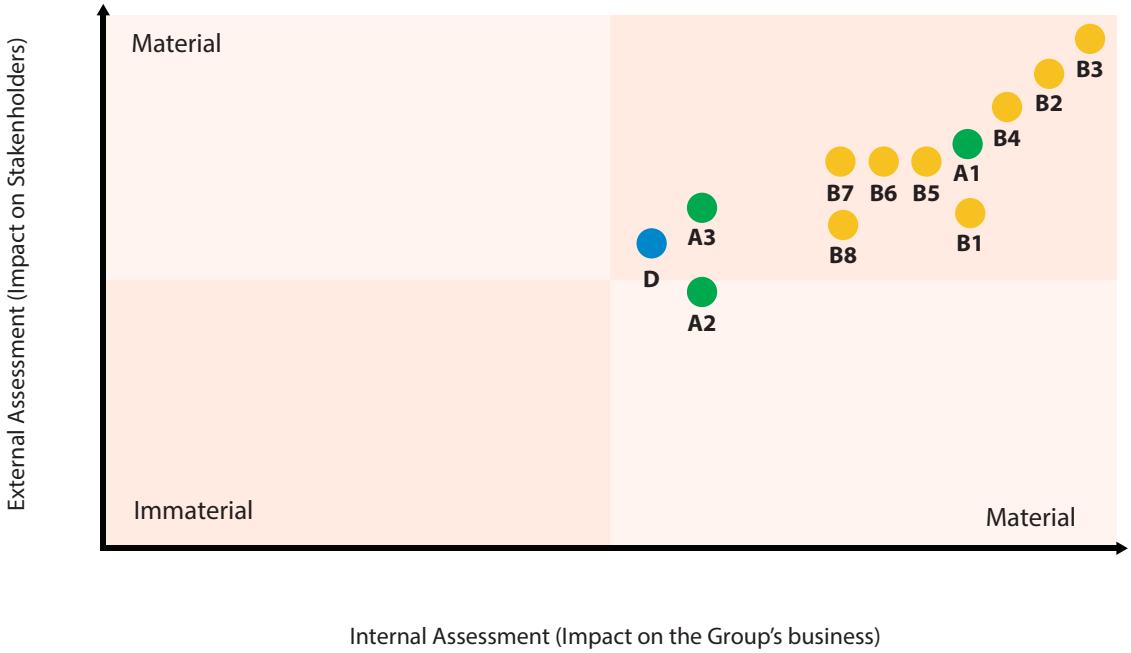
STAKEHOLDERS ENGAGEMENT

The Group recognises the importance of understanding stakeholders' needs and expectations. Stakeholders' opinions can help the Group identify and prioritise material aspects, whereby many communication channels have been set up to regularly engage different stakeholders.

Communication Channels	Major Stakeholders
Meetings	Investors, customers, regulators, suppliers, directors, management, and employees
Reports	Investors, customers, and regulators
Announcements (circulars, memos, emails)	Investors, suppliers, and employees
Company's website	Investors, customers, organisation, regulators, suppliers, employees, and the public
Phone calls	Customers and suppliers
Surveys	Customers and employees
Site visits	Customers, regulators, and suppliers
Seminars	Industrial organisation
Company Events (annual dinners, volunteer service)	Directors, management, and employees

MATERIALITY ASSESSMENT

Through regular communications with stakeholders and reviewing of the information collected, the Group has identified the following material ESG areas and aspects indicated in the following table:



Subject Areas		Subject Aspects
Environmental		A1. Emissions
		A2. Use of Resources
		A3. Environment and Natural Resources
Social	**Employment and Labour Practices**	B1. Employment
		B2. Occupational Health and Safety
		B3. Development and Training
		B4. Labour Standards
	Operating Practices	B5. Supply Chain Management
		B6. Product Responsibility
		B7. Anti-corruption
	Community	B8. Community Investment
Climate-related Disclosures		C. Climate change

Stakeholder Categories	Most Material Issues
Employees	• Labour Standard • Corporate Governance and Risk Management
Customers	• Product Quality • Occupational Health and Safety
Suppliers	• Labour Practices • Procurement and Supply Chain Management

The above material ESG areas and aspects have continued to be strictly managed and monitored through the Group's established management structure, process, policies and guidelines as described in this ESG Report.

A. ENVIRONMENTAL ASPECTS

Overview

The Board is responsible for overseeing the Group's environmental performance, formulating environmental initiatives, and minimising environmental risks. The Group has complied with all environmental laws and regulations and prohibited to the utmost of all relevant illegal and violating activities and ensuring compliance with all relevant national and local environmental laws and regulations including but not limited to:

- Environmental Protection Law of the PRC (中華人民共和國環境保護法);
- Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法);
- Prevention and Control of Water Pollution Law of the PRC (中華人民共和國水污染防治法);
- Prevention and Control of Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法);
- Prevention and Control of Environmental Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法); and
- Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法).

Procedure

(i) The Management Team shall identify and evaluate the environmental aspects for all work activities that are most likely to give rise to significant environmental impacts.

(ii) The Management Team shall collaborate both internally and externally with relevant parties to classify all relevant work activities into the following categories:

- Normal: Routine activities or tasks performed as part of standard processes;
- Unusual: Non-routine tasks that arise under unexpected circumstances; and
- Emergency: Events that have a significant impact on the environment and require immediate action such as major leakages and spillages, fires, etc.

(iii) When identifying the environmental aspects, all activities likely to cause environmental impact or improve general sustainability are considered, including but not limited to the following:

- Gas emissions;
- Water discharge;
- Waste disposal;
- Land contamination;
- Sustainability and the efficient use of raw materials, energy, water and other natural resources;
- Other local environmental issues; and
- National and local laws and regulations.

(iv) At least once every year, the Management Team shall review the environmental aspects. They shall also update these aspects regularly in accordance with new laws and regulations, changes in organisational activities and processes, production systems or equipment, and based on insights gained from incidents, accidents, organisational or external requirements.

(v) For each environmental aspect, the Management Team shall identify and assess the environmental impacts, and the following shall be considered:

- Global warming;
- Water pollution;
- Air pollution;
- Waste generation;
- Land/soil contamination;
- Noise pollution; and
- Natural resources conservation.

Environmental Aspects

The Group attaches great importance to mitigating environmental threats and impacts arising directly or indirectly from its business operations through vigilant assessment and monitoring. By adhering to the ISO 14001 environmental management system standard, the Group has established an environmental management system and continuously advances its environmental performance while collaborating with authorities to address stricter national environmental legislation and management in the manufacturing industry. Advocating for sustainable development, the Group implements various measures to ensure full compliance with regulations on emissions, wastewater, and solid waste discharge, minimising environmental impact, and promotes awareness among employees of their roles in conserving energy and natural resources.

During FY2025, the Group was not subject to any confirmed cases for breaching environmental legislation in relation to emissions and waste discharge or other environmental issues that could have an adverse impact on the local environment (2024: nil).

A1. Emissions

(i) Hazardous and Non-Hazardous Air Emissions

Given the Group's core business nature is manufacturing and sale of toys, the major types of air emissions generated during the production and operational processes primarily include carbon dioxide ("**CO_2**"), volatile organic compounds ("**VOCs**"), particulate matter ("**PM**"), nitrogen oxides ("**NO_x**"), and sulphur oxides ("**SO_x**").

The Group has established comprehensive management procedures to control and monitor air emissions, including PM, SO_x, NO_x, fluorine, ammonia, and other volatile or hazardous gases generated from production and supporting facilities such as spraying operations and canteens. The Maintenance Department is responsible for overseeing the prevention and supervision of air emissions, while the Procurement Department ensures that volatile and flammable materials are safely packaged and handled.

Stringent operational standards are enforced during production and chemical use to minimise the generation and volatilisation of pollutants. The use of coal as fuel is prohibited. Employees are trained to handle and store volatile chemicals properly, promptly seal used containers, and address any accidental spills or leaks by dilution and containment procedures. Collectively, these measures aim to ensure that the Group's air emission management remains compliant with environmental regulations and supports sustainable operations.

VOCs release is another concern that captures the Group's and the stakeholders' attention. Manufacturing of toys inevitably uses paints and emits VOCs in specific contexts. VOCs pose harm to humans, and children and infants are especially susceptible.

In view of this, the Group has deployed water-based paints and environmentally friendly paints with low VOCs content. The Group introduced Phase II VOCs emission improvement. The project installed a VOCs removal system with activated carbon absorber to ensure VOCs released to the atmosphere, which a registered testing agency verifies, is well within the legal requirements. The system is also connected to the Ministry of Environmental Protection of the PRC for them to monitor emissions level. Corrective actions will be timely made should any abnormality occur. Above all, the Group has also maintained ventilation systems to effectively remove or dilute indoor air pollutants to further enhance the air quality in the premises.

Transportation is another emission area where the Group also provides guidance to control air pollution. The table below recorded and compared the resultant air pollutant emissions in Toys Division in FY2025 and FY2024:

Emissions from vehicles:

Air Pollutant	Unit	FY2025	FY2024	Changes
NO_x	Gram (g)	**791,645**	661,172	19.73%
SO_x	Gram (g)	**1,006**	1,069	-5.89%
PM	Gram (g)	**78,205**	65,405	19.57%

The Group has been reviewing and planning a gradual reduction of fossil fuels in order to reduce hazardous and non-hazardous gas emissions by encourages employees to use car-pooling and public transits. For the coming year, the Group targets to reduce air pollutant emissions especially those hazardous SO_x, NO_x and PM by 2-3%.

(ii) Water Pollution and Discharge

The Group does not hold any polluted water discharge data concerning the Toys Division. All excess wastewater was required to be handled by a third-party licensed wastewater treatment and disposal specialist under PRC laws and regulations. The wastewater generated from the filtration process in the oil-spraying tank is subject to regular sampling and testing by the Municipal Environmental Monitoring Station to ensure compliance with discharge standards. In cases where the wastewater does not meet the required discharge criteria, immediate and effective corrective measures shall be implemented to bring it within regulatory limits.

During routine operations, all wastewater discharge shall strictly follow the prescribed filtration and treatment procedures to ensure compliance with stipulated environmental standards. The Spraying Department is responsible for maintaining comprehensive records of wastewater treatment and discharge activities to support ongoing environmental management.

Meanwhile, water used for general living purposes in employees' dormitories would be discharged through the public sewage system.

During FY2025, no complaints nor warning notices were received (2024: nil).

(iii) Noise and Light Pollution Emission

The Group does not generate any noise and light pollution to the surrounding neighbors as its business operations and activities are conducted inside the factory and offices. Within its factory operation, in certain parts of the operation, noise is generated, but the extent is far below national and industry standard limits. To be cautious and to protect the workers, it is compulsory that protective equipment is worn at all times during production activities. During FY2025, no complaints nor warning notices were received (2024: nil).

(iv) Hazardous and Non-Hazardous Wastes

The Group understands its business consumes some quantity of natural materials. The Group has established a waste reduction pathway with a long-term perspective as a directional target. As such, the Group carefully plans raw materials inputs and end products output to minimise waste generation, while ensuring reliable and stable quality.

The Group endeavours to reduce waste by implementing different waste measures. One of the measures to regulate waste disposal is the adoption of 3R (i.e. Reduce, Reuse and Recycle) waste management principle in operation. For instance, the Group recycles and reuses plastics, wastepaper, and cardboards, replaces plastics with biodegradable alternatives, sets duplex-printing as default, carries out an Enterprise Resources Planning system in the office.

In addition, the Group collects and properly handles all hazardous waste in the National Hazardous Waste List. Such wastes are stored in a designated container with covers in a designated area to avoid leakage and misuse. All hazardous waste such as organic solvent, compact fluorescent lamp, batteries and exhausted cartridges and toners are collected by the licensed contractors. Waste collected in Hong Kong office was handled by the property management and as a result, no relevant data was available.

(v) Mitigation Measures and Reduction Initiatives

The Group does not generate much hazardous and non-hazardous emissions and discharges. However, as a responsible corporation, the Group is conscious of the effects of its operations and activities may have on the environment and constantly work on maximising energy efficiency and minimising emissions, wastes generation, disposal and discharges. The Group has fully complied with all applicable environmental laws, rules and regulations and industrial standards in the markets it operates in. The Group has also complied with Quality Management Systems such as ISO 9000 to reduce pollution and improve sustainability.

Energy is the critical component of the Group's operation, and the Group has to acquire energy that originates from fossil fuels, which is exhaustible and non-renewable energy. The Group has thus established an energy consumption reduction pathway with a long-term perspective as a directional target. Because of that, the Group makes utmost efforts to reduce energy consumption by implementing different energy measures as follows:

- Established a resource management procedure to regulate energy use;
- Turned off lighting, equipment and personal computer during non-office hours;
- Switched off idle engines and air-conditioners;
- Maintained indoor room temperature at 24 to 26°C;
- Disseminated energy-saving message via emails;
- Replaced conventional lightings with LED;
- Purchased environmentally friendly equipment such as electric rotomolded PVC machines;
- Procured equipment for video conferencing to reduce the need for business trips; and
- Adopted reusable energy such as solar water heaters in the dormitory.

During FY2025, the Group did not have any violation related to hazardous or non-hazardous air emissions and wastes disposal, polluted water discharges (2024: nil) and it is determined to take all necessary measures to achieve the same results for the coming years.

A2. Use of Resources

As an industrial operation, the Group consumes various resources including electricity, water, printing paper and ink and packaging materials. The Group promotes a company-wide goal of conserving resources and have implemented various measures to improve its resource saving performance. Its aim is to minimise the impact to the environment and achieve operational optimisation while complying with the relevant national and local laws and regulations. The Group has established and enacted clear environmental policies and measures designed to ensure the efficient use of resources across its production facilities, office administration, and employee activities, thereby supporting sustainable development. During FY2025 and FY2024, the Group has not recorded any material non-compliance in respect of any applicable laws and regulations on environmental protection. It strives to uphold its established environmental protection and management system.

During FY2025, the Group did not record any material non-compliance issue with the applicable PRC laws and regulations in relation to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous wastes that resulted in prosecution, conviction or penalty being brought, made or imposed against it (2024: nil).

(i) Energy Consumption

The Group consistently upholds the principle of prioritising conservation and continuously improves the efficient use of energy and resources. The Group actively responds to national energy conservation and consumption reduction requirements, continuously enhance resource utilisation efficiency and reduce energy costs through the implementation of diverse energy-saving and environmental protection projects.

(ii) Water Consumption

The Group does not entail a massive amount of potable water as it is not engaged in water-intensive industry. Water stress is a relatively less significant threat affecting the business. The Group had no difficulty in sourcing water that is fit for purpose. Nonetheless, the Group has established a water consumption reduction pathway with a long-term perspective as a directional target.

The Group works diligently in implementing initiatives to save water, including but not limited to placing reminders near the water facilities to remind employees to conserve water. The Group also operates a water treatment plant and obtains a wastewater discharge license to treat and discharge wastewater legally. The Group revamped the wastewater treatment plant in 2018 to further manage the increasingly stringent discharge caps set out by the government. The Group also continues to seek opportunities to use less water wherever feasible. For example, condensers have been installed in each workstation to collect steam from the injection molding department. The water-saving project by combining two VOCs removal systems has been in operation since 2021.

(iii) Paper and Packaging Materials and Other Raw Materials Consumption

The Group also acknowledges that packaging can consume lots of resources, and thus proactively communicates with clients and suppliers to discuss any potential to minimise packaging in the product design.

As production volume decreased during FY2025, leading to a corresponding reduction in the utilisation of total packaging materials.

The amount of packaging material used is largely dictated by the Group's production volume and so it is not feasible to target substantial reduction in packaging materials. The Group will continue to monitor its usage and look for ways to introduce more sustainable and environmentally friendly materials where possible.

The Group considers its office paper use immaterial, however, to reduce paper consumption, it has implemented or in the process of implementing the following measures in offices:

- Avoid unnecessary printing and print on both sides;
- Use recycled papers and reuse paper-made products such as envelopes and folders; and
- Replace the use of papers by sharing and storing information and documents in electronic formats.

A3. Environment and Natural Resources

The Group's business operations and activities do not create significant environmental impact and hazards. As a responsible corporation, the Group has implemented the environmental protection policy and has complied with all national and local environmental laws, rules and regulations, and industry standards. The Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operational costs. The Group cooperates with the local government agencies and support environmental organizations' activities to build a "green" society.

Awareness

Sustainability is crucial to daily life, the society and even the future generation. The Group could protect the earth by utilising natural resources and slowing down resources' depletion and ecosystem degradation. These all require efforts across departments and organisations. Training sessions arranged for employees are indispensable. An environmental consultant is also employed to engage in monitoring and suggesting areas for environmental improvement. The vegetarian and sustainable seafood menu is also given to employees to choose from at the canteen. There was no incident with significant impacts on the environment and natural resources in FY2025.

During FY2025, freshwater, fossil fuels, electricity and packaging materials for normal production operation were the key elements which were considered to have an impact on the environment. The Group has continued to support all measures to reduce, reuse, recycle, and replace as far as possible and practicable as laid down in the environmental policy and measures. The Group did not receive any warning or complaint notice from any governmental environmental agencies, clients or business partners for the violation of any environmental rules and regulations, the act of polluting the environment or causing any environmental troubles (2024: nil). For the coming year, the Group will strive to achieve zero complaints and no pollution occurrences, and to explore new avenues and means to accomplish its goals of conserving natural resources and protecting the environment.

B. SOCIAL ASPECTS

The Group acts in an honest and transparent principle and aims to support the building of a harmonious society and a mutually beneficial relationship with its stakeholders including employees, customers, suppliers, professional services providers, local communities as well as the governing authorities. During the formulation and implementation of its ESG strategies, policies, rules and regulations, the Group incorporates long and short-term goals with consideration for its stakeholders and the society. The Group believes that its modest acts will ultimately benefit the stakeholders and general society.

B1. Employment

The Group recognises that employees are the cornerstone of business development. It motivates the Group to build and maintain a harmonious, fair, and safe working environment. More importantly, the Group strives to enhance its social responsibility. The Group has established and kept an updated employment policy based on the National Labour Law. The Group has also been certified by ICTI CARE Foundation, to demonstrate its commitment to promoting safe and fair working conditions. During FY2025, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, and discrimination (2024: nil).

The Group adopts fair and equal employment and recruitment procedure and prohibits any forms of discrimination. Hence, candidates' experiences, abilities and the Group's business needs are criteria for shortlisting candidates, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion, and nationality. The remuneration package is regularly reviewed. Successful candidates with proven track records can enjoy promotion and salary increment.

In order to provide all newcomers with a fundamental understanding of the Group, the Group mandates all newcomers to attend an orientation training, covering (a) the Group's history; (b) the employment terms and conditions, welfares and benefits; and (c) the adherence to the relevant policies, systems, and procedures. All the policies are available in the Staff Handbook for reference at any time. The Group is a member of Ethical Supply Chain Program ("**ESCP**"). Therefore, the Group must also comply with the relevant requirements set out in ESCP's Code of Business Practices.

Benefits and Welfares

The Group contributes to "Five social insurance and one housing fund", namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, for the employees as required. Additionally, all employees are entitled to various statutory holidays and paid leave, including paternity leave and maternity leave. Moreover, in recognition of employees' hard work, the Group will reward employees and benchmark employees' salaries against industry norms to maintain a competitive remuneration package to the talented. All employees shall participate in the annual appraisal to review their performance.

Team Profile

As of 31 December 2025, the Group employed 1,461 employees, of which all are full-time employees.

Category	Number of staff 2025	2024
Total staff	**1,461**	1,654
By gender		
Male	**580**	683
Female	**881**	971
By employment type		
Full-time staff	**1,461**	1,654
Part-time staff	**–**	–
By age group		
Under 30 years old	**205**	354
31-50 years old	**687**	753
Over 50 years old	**569**	547
By geographical region		
Mainland	**1,433**	1,620
Hong Kong	**28**	34
By employee category		
Management	**55**	72
General	**1,406**	1,582

During FY2025, the Group did not have any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The Group is confident to achieve the same result for the coming year.

In FY2025, the Group had 676 employees whom voluntarily left. Below is the breakdown of the employment turnover by gender, employment type, age group, geographic region and employee category:

Category	Turnover rate 2025	2024
Total staff	**46%**	52%
By gender		
Male	**48%**	54%*
Female	**45%**	50%*
By employment type		
Full-time staff	**100%**	100%
Part-time staff	**–**	–
By age group		
Under 30 years old	**68%**	51%
31-50 years old	**45%**	62%
Over 50 years old	**40%**	38%
By geographical region		
Mainland	**46%**	53%
Hong Kong	**50%**	6%
By employee category		
Management	**31%**	4%
General	**47%**	54%

* *The turnover rate of male and female in 2024 were restated from 35% and 33% to 54% and 50%, respectively.*

The Group interviews every individual to understand his/her reasons to resign and regularly review the remuneration packages and the operation practices accordingly.

B2. Occupational Health and Safety

The Group places emphasis on occupational health and safety. It is the Group's obligation to provide a safe working environment. The Group has established a comprehensive occupational health and safety management system to ensure a safe working environment and to prevent occupational hazards. The Safety and Health Committee, comprising the senior human resource manager, administrative manager, safety manager, representatives from the security and fire service department, and a labour union, which is responsible for implementing national health and safety regulations, conducting regular inspections, and supervising corrective actions in areas with identified occupational risks. The committee also formulates policies to mitigate the risks if applicable. Correspondingly, the Group regularly commissioned third-party to audit occupational health and safety performance. In FY2025, there was no non-compliance case with regulations concerning occupational health and safety (2024: nil).

Furthermore, risk assessment is conducted annually in all locations to identify high-risk position and potential threats inside the working area. In collaboration with the Human Resources Department, occupational hazard monitoring points are determined based on on-site material usage and operational conditions. Regular monitoring is conducted jointly with health authorities, and results are transparently disclosed. Where non-compliance is detected, root causes are analysed, and remedial measures are implemented and tracked. The Group carries out occupational disease hazard assessments, registers occupational health projects, and ensures that protective equipment and emergency facilities meet national standards. Employees engaged in hazardous operations undergo pre-employment, periodic, and pre-departure health examinations, with results communicated individually.

Ongoing training on occupational health, safety laws, emergency response, and self-protection skills is delivered through workshops, posters, and notice boards to strengthen employee awareness. Clear warning signs, isolation measures, and protective installations are in place. In the event of occupational incidents or diagnosed occupational diseases, the cases are promptly reported to relevant authorities, treated according to statutory requirements, and employees are reassigned to suitable roles as appropriate.

Aside from "Five social insurance and one housing fund", the Group provides additional medical insurance for extra protection. Better still, the Group has attained the certification of OHSAS 18001 to systemise the occupational health and safety management in the workplace.

The Group had zero work-related fatalities in the past three years including FY2025.

A total of 179 lost days were recorded during FY2025, which was 65 days more than that of FY2024. The Group offered prompt assistance to the injured or the affected. The Group's Safety and Health Committee launched investigations to examine the root cause of accidents and implemented corrective and preventive actions to avoid reoccurrence.

B3. Development and Training

Toy industry evolves with time, and the Group understands that it has to keep up with the changes to thrive in the market and sustain in the industry. Consequently, each business unit together with the human resources department stipulates a yearly training plan, covering technical and management topics to all employees. The Group also sponsors employees to attend external training to acquire the latest knowledge in the market. In FY2025, all employees took part in different trainings and the average training hours of employees were approximately 39 hours.

	Percentage	
Category	**FY2025**	FY2024
Total number of trained employees	**99.25%**	99.27%
By gender		
Male	**39.66%**	40.93%
Female	**60.34%**	59.07%
By employee category		
Management	**3.10%**	3.71%
General	**96.90%**	96.29%

	Average training hours (Hours)	
Category	**FY2025**	FY2024
Total workforce	**39.40**	32.25
By gender		
Male	**39.08**	32.55
Female	**39.61**	32.03
By employee category		
Management	**24.73**	39.47
General	**39.97**	31.92

The Group deems the new generation a pillar of society and has established an internship program. Sophisticated and experienced seniors train fresh graduates so that it can be well-prepared to bring innovation and creativity to the Group.

B4. Labour Standards

The Group strongly believes children shall enjoy a pleasant childhood. No child is allowed to work in the Group. The Group performs identity checks in the recruitment process to ensure the regulatory working age is compliant. The Group also believes in the importance of work-life balance as it links to productivity and well-being. The Group neither encourages nor forces employees to work overtime. Furthermore, all illegal means such as retention of identity cards or passports, intimidation, coercion, and undue pressure are strictly prohibited.

Employees are entitled to statutory leave and various kinds of paid leave, which help them take sufficient rest. The Group is always meticulous about the production schedule to avoid overtime work. The Group reviews workflow carefully in the event of a significant amount of overtime work needed. The Group will seek assistance from relevant institutions if necessary.

Furthermore, the Group also highly appreciates employees to participate in leisure and social activities such as the Chinese New Year event to share warmth and happiness among colleagues. Labour union has been formed, and all employees preserve the right to speak. Other than the benefits and welfares above, the Group arranges monthly meetings with the labour union representatives to understand employees' points of view.

In FY2025, the Group was in compliance with relevant laws and regulations relating to preventing child and forced labour, and as such no rectification was required (2024: nil).

B5. Supply Chain Management

The business depends heavily on suppliers' cooperation. Building trust and reliability is a golden rule to build up a long-term relationship with them. As of 31 December 2025, the registered suppliers of the Group consisted of 210 suppliers (2024: 261 suppliers) from the PRC and 47 suppliers (2024: 18 suppliers) from Hong Kong.

Before signing a contract, the Group conducts an assessment and sample testing to assess suppliers' quality standards, and achievements in environmental protection and corporate social responsibility. The price is not the only selection consideration, equipment level, productivity and reputation are also taken into account. The Group also attentively concerns a safe working environment and an ethical business culture in the selection process. Moreover, samples testing must pass through quality check requirement for contract approval.

Other than that, the Group carries out an annual assessment to review suppliers' services quality, on-time delivery ability, fulfilment of the tender requirements and alignment with the Group's policies. In FY2025, the Group assessed leading suppliers and they all passed. The suppliers who are unable to meet the requirements (if any) will be removed from the supplier list if applicable.

The Group keeps close contact with the suppliers to ensure the shipping date, logistics status and supplies can match its production and delivery schedule. The Group closely monitors the updates on local, regional, and even international cross-border regulations from time to time to reallocate resources at the earliest.

Customs-Trade Partnership Against Terrorism

The Group complies with the Customs-Trade Partnership Against Terrorism ("**C-TPAT**"). In order to enjoy the entitled benefits in return, the Group, suppliers, and contractors are working closely to implement, as required by C-TPAT, physical security measures, access control, security assurance in procedures, and offering education and training. A supply chain guarantee of C-TPAT Security Policy is ready for suppliers and contractors. Owing to the importance of such policies and laws, the employees responsible for import and export shall attend training related to the relevant ordinance and regulations at least twice a year.

Green Procurement

To uphold the responsibility to disseminate sustainability to suppliers, the Group always strives to exploring alternatives to use less packaging materials and fewer plastics as much as feasible. The Group also states specifically on tender documents to encourage suppliers to adopt products with ecolabels or environmentally friendly products. In the selection process, priority is given to those awarded with an ISO 14001 Environmental Management System certificate and an ISO 9001 Quality Management System certificate. Local suppliers also preferred to limit their impact on environment from transportation.

B6. Product Responsibility

The Group has been awarded with a certificate of the ESCP, indicating that the Group adheres to the International Council of Toys Industries Code of Business Practices, aligning the Group's practices with international norms in the global toy industry supply chain.

Quality Assurance

The impacts on children derived from harmful and unsafe toys can be persistent and untreatable. As a result, the Group has established a product monitoring and inspection procedure to standardise the quality check. In practice, the Group attains certification of ISO 9001 Quality Management System and Good Manufacturing Practice ("**GMP**"). The ISO standard provides guidance for implementing a systematic quality management system to ensure product quality, while GMP, a widely adopted quality assurance system, ensures the production of safe and consistent products by establishing standards for raw materials, premises, equipment, sanitation, personnel training, and quality management. Although the Group is a toy trader, it also carries out inspections and random checks to review the quality of toys. It assures toys strictly follow local and international safety and advisory requirements such as CE marking, Consumer Product Safety Commission, STM F963-Standard Consumer Safety Specification for Toy Safety. The Group is verified by a third-party to ensure its supply chain security aligns with international supply-chain security standards.

In addition, the Group has designed a clear and precise label to identify toys and separate defective products. The instruction manual is attached with the product to guide consumers to properly use products. Safety alert labels are placed at the package's surface or containers to alert consumers to keep toys properly, avoiding children from mistakenly swallowing or inhaling the tiny parts that may results in suffocation. There were no reported incident in product responsibility in FY2025 (2024: nil).

Given the significance of the toys' quality assurance, the Group pays additional attention to raw materials. All materials used in the products are entirely compliant with the Restriction of Hazardous Substances. Providing testing reports and certificates to prove the products' quality and harmlessness is a must-do item for its suppliers. The Group randomly tests product samples, and a third-party testing laboratory carries out inspections before mass production. The Group operates a laboratory, which is certified by the China National Accreditation Service, to examine the products randomly. The laboratory has attained ISO 17025 Testing and Calibration Laboratories certification. This enables laboratories to demonstrate that they operate competently and generate valid results, thereby promoting confidence in their work both nationally and around the world.

All validating reports are well-documented. In case of any fail reports of the toys, the Group will immediately cease the delivery process and recall them. Meanwhile, the Group remains active in communicating with customers regarding the products' quality, specifications, and testing results.

The Group exported more than 10 million products yearly. The Quality Management Department records each complaint and notifies relevant departments for investigation and coming up with improvements and suggestions for the problem if any.

Thanks to the extraordinarily high product quality standard maintained, there was no product recall or return regarding health and safety issues or material complaint during FY2025. The Group is proud that there has been no material complaint or claim on its products quality and its products have not been subject to any investigation by government authorities on quality or safety as well. For the coming year, the Group strives to maintain the same good track record with its sound management control.

Based on a customer satisfaction survey distributed to significant customers, covering seven aspects: productivity, samples delivery, quality management and product quality, the results revealed that the customers were satisfied with the Groups' productivity, and they also suggested an improvement on samples on-time delivery. Clients' feedback drives the Group to perform better, as such the Group promptly recruited more inspectors to conduct quality checks to speed up the processing time and keep product quality stable.

Intellectual Property Right

The Group only sells and trades products that are properly licensed. The Group also abides by the copyright and patent laws of the United States as well as other countries. The Group endeavours to communicate with its business partners about intellectual property rights protection and also acknowledges that laws and regulations can protect the Group's rights.

For FY2025, the Group did not have any infringement of its or any other intellectual property rights including which had or could have a material adverse effect on its business, and there were no legal proceedings against the Group (2024: nil). The Group will continue to avoid any infringement of intellectual property rights in the coming years.

Data Privacy

The Group respects privacy and intellectual property rights. The Group collects data in a lawful way and solely for recruitment or the stated purposes. The storage and transmission of personal data must be encrypted and with up-to-date antivirus protection to prevent data leakage that harms clients, suppliers, individuals, or other parties that have trusted the Group with their information. Likewise, the data shall only be retained for a designated period and for specified purposes. Guidelines and procedures have been established to guide every one of the Group to properly handle personal data. The data can be updated and corrected by the data holders at any time in writing upon request. The Group must provide information on how it uses clients' information in the past 12 months upon request. Only a handful of well-trained employees have the right to access the sensitive data.

Under no circumstance will the Group disclose personal data and confidential information to third parties or to the public without clients' consent.

During FY2025, the Group did not have any incidents of non-compliance with relevant laws and regulations that have a significant impact on the Group relating to advertising, labelling and privacy matters (2024: nil). The Group also targets to maintain its level of compliance in the coming years.

B7. Anti-corruption

Integrity gives great importance to brand image and performance. Laws and compliances bound the Group on anti-corruption. The Group must obey national and regional laws and regulations in business operation. The code of conduct is well-defined and outlines the area of corruption risk and procedures to handle advantages. The Group's attitude against corruption is stated clearly to all employees. Any form of bribery, extortion, fraud, and money laundering is forbidden. An internal control system has been established to review the operation flow and assure operation consistency. Employees can remain anonymous to report any suspected cases to the Group. The Group will not condone any unlawful acts or corruption.

Refresher training was regularly scheduled, especially for those post-holders with a high corruption risk. In FY2025, the Company provided anti-bribery training to employees to foster ethical business practices and reinforce the importance of compliance with relevant laws, including the Prevention of Bribery Ordinance. Key objectives included:

- Enhancing awareness of bribery risks and preventive measures in daily operations;
- Strengthening internal controls and whistleblowing procedures to detect irregularities promptly;
- Equipping staff with skills to identify and report potential corrupt practices; and
- Emphasising zero tolerance for bribery, extortion, fraud, and money laundering through policy reinforcement; and promoting a culture of integrity aligned with ESG standards.

Anti-corruption training material will also be delivered to all employees and directors. There was no alleged case of bribery, extortion, fraud, and money laundering in FY2025 (2024: nil).

B8. Community Investment

Business development connects closely with the community, and it is the social responsibility of the Group to utilise its power to assist the needy in society. Employees and their families are welcome to participate in voluntary activities. The Group will continue to work diligently with the community with charities, employees, and their families.

C. CLIMATE-RELATED DISCLOSURE

(I) Governance

Climate change has caused frequent occurrence of extreme weather and has had an impact on the business operations of the Group. Therefore, climate change risks are considered by the Board to be material risks and the Board is responsible for overseeing and formulating working mechanisms to identify, prevent and mitigate climate change issues that may have a significant impact.

The Group understands that stakeholders expect us to be managing and mitigating climate change risks in line with local and global commitments and recommendations. The Board recognises that the impacts of climate change are varied and long-ranging and the risks identified could prevent the Group from meeting its strategic objectives and could result in adverse operational, compliance and financial impacts. Thus, the Board meets regularly to oversee the Group's strategies and management approaches related to climate risks and opportunities, as well as the disclosure of information. The Group has implemented a climate change policy statement to guide its operations and reduce its impact on climate change while strengthening its business resilience.

As the world transitions toward a lower-carbon sustainable economy, there are inevitable areas that the Group can contribute to this. After discussions with the stakeholders, the Group has identified energy and water as areas that it can immediately tackle to both combat climate change and reduce potential costs in the future.

The Group has made reference to the disclosure framework recommended by the Task Force on Climate-related Financial Disclosures ("**TCFD**"); and the Guidance on Climate Disclosures and the Implementation Guidance for Climate Disclosures under HKEX ESG Reporting Framework, which were published by the Stock Exchange in November 2021 and April 2024 respectively in overseeing climate-related matters as well as preparing relevant disclosures. The disclosures are made across four thematic areas: "Governance", "Strategy", "Risk Management" and "Metrics and Targets".

The Board and the Management Team (collectively, the "**ESG Governance Bodies**") cover climate-related matters within the oversight of Environmental, Social and Governance issues, In supervising climate-related matters, the key responsibilities and duties of the ESG Governance Bodies include the following:

Board of Directors

- Holds overall responsibility for the Group's sustainable development;
- Oversees the formulation of the Group's climate-related strategies, objectives, risks and opportunities, monitoring measures and procedures;
- Ensures the development of appropriate skills and competencies through training programs, professional development opportunities, and assessments of current capabilities; and
- Ensures the Group maintains effective risk management and internal control systems and implements effective environmental, social and governance initiatives.

Management Team

- Ensure the strategies and policies set by the Board are effectively implemented;
- Examine and address climate related risks and opportunities and day to day implementation of policies set by Board; and
- Support the oversight of climate-related risks and opportunities.

In ensuring that the ESG Governance Bodies possess the appropriate skills and competencies in overseeing climate-related matters, the directors and management should maintain continuous dialogue with external advisors to stay abreast of the latest requirements in climate-related disclosures and regulations. The Group also arranged tailored training sessions for the directors and management, where appropriate. The training offered includes internal programs organised within the Group.

(II) Strategy

The ESG Governance Bodies identify climate-related risks and opportunities relevant to the Group through regular risk assessments as disclosed in the "Corporate Governance Report" under the section "Risk Assessment and Internal Control". Through conducting risk assessments, the Group assesses the potential impacts of these risks and opportunities, thereby formulating appropriate response strategies and measures. These include considering and establishing indicators and targets applicable to the Group to monitor the impacts of climate change. By regularly comparing the achievement of current and prior indicators and targets, the Group evaluates the effectiveness of its climate change mitigation measures.

In the context of climate-related risks and opportunities, physical risks refer to the direct impacts of climate change, including acute risks triggered by extreme weather events and chronic risks arising from long-term shifts in climate patterns; transition risks refer to the potential risks that may emerge during the process of transitioning to a low-carbon economy; climate-related opportunities represent the potential benefits arising from proactive responses to climate change.

To assess the Group's climate resilience and to comply with the latest disclosure requirements of the ESG Reporting Code and the Guidance on Climate Disclosures and the Implementation Guidance on Climate Disclosures, the Group has updated the assessment methodology in FY2024 through a climate scenario analysis to reassess climate risks and opportunities across its operations in the PRC under two consolidated scenarios in accordance with TCFD recommendations. The two consolidated climate scenarios are constructed based on public available scenarios which include Intergovernmental Panel on Climate Change ("**IPCC**"), International Energy Agency and Network of Central Banks and Supervisors for Greening the Financial System. Based on the revaluation of the Group's climate risk assessment results, it has updated the mitigation measures across various operational areas. The following outlines the scenarios and assumptions employed in its climate risk assessment.

Consolidated Scenario	Brown Scenario	Turquoise Scenario
Timeframe	Short term – till 2030 Medium to long-term – till 2100	
Global Mean Temperature	Global mean temperature rises of above 3°C by 2100	Global mean temperature rises of 1.5 to 2°C by 2100
Scenario Description	The scenario represents the future that only current policies and nationally determined contribution are implemented with limited investments and climate actions to decarbonise. This would usually lead to high level of physical risk and low level of transition risk.	The scenario represents the future that stringent and immediate policies will be implemented by the companies that are actively committed to climate action goals. This would usually result in high level of transition risks and low level of physical risks.

The Group believes that adopting established and internationally recognised models for climate scenario analyses will provide the Group with a standardised approach in conducting such analysis, leading to more comprehensive analytical results, covering material areas of concern to stakeholders, as well as enhancing comparability across different reports.

Selecting both "Brown Scenario" and "Turquoise Scenario" best illustrates the impacts of the Group's adoption of appropriate mitigation measures on climate change and business development, demonstrates its resilience and adaptive capacity to climate change and highlights the potential benefits of achieving a low carbon transition. This enables the Group's management to consider the appropriate timing for implementing transition plans. Based on the above assessment of climate-related risks and opportunities, as well as qualitative climate scenario analysis, the Group has formulated corresponding climate governance strategies and monitoring measures for each key risk and opportunity, thereby supporting the ongoing stability of its business operations, thereby reducing greenhouse gas emissions and enhancing climate resilience. However, given current data and resource constraints, the Group has not yet conducted climate scenario analyses in accordance with the latest ESG implementation guidelines. The Group is in the process of enhancing its climate governance framework and will, in due course, carry out specific climate scenario analyses, thereby formulating long-term plans and business strategies that will further support the Group's sustainable development.

By gaining insight into the significant climate risks that affect its business across its value chain, the Group can develop effective strategies and measures to manage these risks and mitigate their financial and non-financial impacts. Within the framework, the Group acknowledges climate change as a strategic business risk and has integrated climate-related risks and opportunities into its overall business strategy. The Group's objective is to enhance long-term resilience by comprehensively assessing, managing, and monitoring climate risks that may impact its operations.

Based on the definitions of physical risks, transition risks and opportunities, the Group has categorised the key climate-related risks and opportunities it primarily faces, the affected assets and business activities, the relevant time horizons, the potential impacts, as well as the strategies it adopts to mitigate or adapt to these risks and opportunities, as set out below:

Category	Affected asset or business activities – Amount and Percentage	Time Horizon	Description and Potential Impact	Mitigation/Adaptation Measures
Physical Risks				
Extreme Weather Events including typhoons, heavy Rain and flooding, thunder and lightning	All business segments – HK$331,099,000, representing 100% of total asset value	Short Term	Extreme weather events represent acute physical risks arising from climate change, which may directly affect the Group and disrupt daily business operations. For example, typhoons and heavy rain may cause traffic congestion, resulting in employee absenteeism and reduced working hours, while also disrupting the supply chain of key materials and goods. Fallen trees may endanger employee safety during commutes and severe storms may damage buildings, including office premises and critical data stored within, as well as interrupt energy and water supply. These impacts could reduce productivity and revenue, disrupt supply chains and increase maintenance, repair and insurance expenses.	• Attach duct tapes to windows to avoid damage. • Move equipment to safety areas in advance. • Reinforce equipment and components that may be blown away. • Inform and negotiate with clients and third-party suppliers of potential delays in advance. • Arrange work from home for staff according to the guidelines of local observatory.

Category	Affected asset or business activities – Amount and Percentage	Time Horizon	Description and Potential Impact	Mitigation/Adaptation Measures
				• Check that all windows are shut as secure as possible. • Reinforce equipment and assets which may be damaged or blown away. • Arrange work from home for staff according to the guidelines of local observatory. • Keep good conditions of earthing devices – Remind employees to save data and turn off computers.

Category	Affected asset or business activities – Amount and Percentage	Time Horizon	Description and Potential Impact	Mitigation/Adaptation Measures
Chronic Climate Change such as sustained high temperature	All business segments – HK$331,099,000, representing 100% of total asset value	Medium to long term	Chronic climate change represents chronic physical risks, which over time may create deteriorating working environments and affect employee health, while posing challenges to the storage, transportation and operation of temperature and humidity-sensitive inventories and equipment, accelerating their damage, depreciation and aging. Over the long term, these impacts will increase the Group's costs of safeguarding employees and assets, such as higher electricity expenses from intensified air-conditioning use, which also indirectly raises greenhouse gas emissions and exacerbates global warming.	• Keep a First-aid kit convenient. • Keep cold water available 24 hours a day.

Category	Affected asset or business activities – Amount and Percentage	Time Horizon	Description and Potential Impact	Mitigation/Adaptation Measures
Transition Risks				
Legal and policy risk	All business segments – HK$331,099,000, representing 100% of total asset value	Medium to long term	Legal and policy risk represents a type of transition risk, referring to potential challenges arising from changes in the regulatory environment during the process of transitioning to a low carbon economy. Local governments may enforce stricter carbon emission reduction policies, potentially raising the carbon emission costs for enterprises' production and operations. This includes changes to government policies, laws, and regulations, such as carbon pricing and renewable. This may lead to the increase operation cost and potential for litigation.	• Regular review of relevant legislation. • Set up near term target to demonstrate the Group's decarbonization effort.
Technology Risk	All business segments – HK$331,099,000, representing 100% of total asset value	Medium to long term	Technology risk is a type of transition risk, referring to technological improvements that support the transition to a lower-carbon system. Failing to upgrade to more efficient, sustainable, or automated technologies could result in higher operation costs and reduced competitiveness.	• Explore new technologies, sustainable materials, and techniques. • Adapt to changes in the cost and availability of raw materials and utilities like renewable electricity, water, and gas, including the relevant costs of securing and maintaining sufficient supply.

Category	Affected asset or business activities – Amount and Percentage	Time Horizon	Description and Potential Impact	Mitigation/Adaptation Measures
Market and Reputation Risk	All business segments – HK$331,099,000, representing 100% of total asset value	Medium to long term	Market and reputation risk is a type of transition risk that arise from changes in market demand and reputational impacts. Customers have increasingly strict requirements for carbon emission management of their suppliers, while the decarbonization of products and services may become an important standard for customers to choose from. Products or services that are not low-carbon may lead to a decrease in demand. There are stricter requirements for transparent carbon emissions information, and enterprises need to increase investment in the management of related performance. Poor performance in climate information disclosure may lead to reputation damage, declined stock price, or difficulties in financing. There will be a risk of a decline in sales and reputation if end-user is getting more prefer on environmentally friendly products or services and the Group does have these options for its customers.	• Expand the product range to cater to a broader audience and adapt to changing customer preferences, including eco-friendly and ethically produced lines to attract environmentally conscious consumers. • Obtain environmental related certifications like to demonstrate commitment to sustainability. • Adopt environmentally friendly production processes, such as waste reduction and circularity programs.

Category	Affected asset or business activities – Amount and Percentage	Time Horizon	Description and Potential Impact	Mitigation/Adaptation Measures
Opportunities				
Adoption of green and low-carbon technologies	All business segments – HK$331,099,000, representing 100% of total asset value	Medium to long term	Technology and energy transition present opportunities for the Group. The adoption of green and low carbon technologies can improve energy efficiency, reduce direct cost savings and energy expenses.	• Identify opportunities and invest in adopting low-emission energy and new technologies.

Going forward, the Group will conduct climate scenario analyses again when significant changes occur in its core business, in order to review, re-identify and assess relevant risks and opportunities, to adjust and implement more effective mitigation and adaptation strategies. The Group will continue to strengthen communication with stakeholders, including employees and business partners, and work together to provide additional resources for climate change mitigation activities, such as collaborating with employees to reduce electricity consumption and partnering with banks to provide financing support, thereby supporting the achievement of its goals.

Current and Expected Financial Impacts and Transition Plan

Taking into account the climate-related risks and opportunities identified above, as well as the Group's existing resources and operations, the Board and senior management have not, at this stage, identified any risks or opportunities that could result in significant and readily quantifiable financial impacts on the Group, including impacts on cash flows, access to finance, or cost of capital, nor any that would require immediate transition measures. Accordingly, the response and adaptation measures outlined above only reflect the Group's anticipated response to climate-related risks and opportunities. At present, there are no quantified figures or transition plans available for the purpose of disclosure, including capital commitments, financing activities, investments, or asset disposals. The Group will closely monitor and regularly review the existing climate-related risks, opportunities and strategies through ongoing risk assessments and timely scenario analyses, and will formulate and implement transition plans as necessary to address risks and strengthen its competitiveness and sustainability.

(III) Climate related Risk Management

The Group has been maintaining effective risk management and internal control systems as part of good corporate governance. Under the existing systems, risk assessment is conducted annually, led by the Audit Committee and submitted to the Board for approval upon completion. The scope of risk assessment covers the core business segments of the Group, including those defined under the "Reporting Scope" above. Details of the risk assessment are disclosed in the "Risk Assessment and Internal Control" section of the "Corporate Governance Report".

Climate change has been incorporated into its risk management framework as one of the items in the risk assessment. The risk coordinator designated by the Audit Committee, with the assistance of an external professional consultant, collects evaluations from risk owners of each major business segment (typically department heads or senior management) through questionnaires and/or interviews. The process includes risk identification, assessment of the nature, likelihood and impact of risks, consideration of existing mitigation measures and internal controls, as well as recommendations from risk owners on further mitigating the identified risks (if any). These risks are consolidated at the Group level, comprehensively assessed and analyzed, and ranked by nature and materiality. The Group has also adopted scenario analysis to consider the likelihood and potential impacts of such risks and opportunities under both high emission and low emission scenarios, thereby assessing the Group's climate resilience and formulating corresponding mitigation and adaptation measures. During FY2025, the Group conducted risk assessments using the same procedures as those applied in the previous year. The detailed results of the assessment are disclosed in the "Strategy" section above.

Through regular risk assessments conducted using a consistent methodology, the management is able to track significant changes in the nature and extent of each risk item and evaluate the effectiveness of mitigation efforts.

(IV) Metrics and Targets

The Group strives to effectively manage and evaluate the risks and opportunities arising from climate change. Throughout FY2025, it maintained continuous monitoring of key metrics, specifically GHG emissions, which serve as indicators of climate-related risks. These targets aim to reduce overall GHG emissions and electricity consumption.

During the preparation of annual ESG reports in accordance with Listing Rule requirements, data is gathered through its established data collection system to measure the achievement status of each indicator, reported to the Board for review, approval and subsequent disclosure. The Group strongly believes that conducting regular assessments of metrics and targets and disclosing the results to the public is the most direct and effective way to fulfill its environmental responsibilities.

The key metrics maintained by the Group, their categories, nature, scope of application, achievement status and comparison against FY2024 based on historical performance are set out below:

Existing Metrics and Targets

Category Greenhouse Gas Emissions	Nature	Scope
Scope 1 GHG Emissions (Total) – Reduce by 2-3%	Quantitative absolute target	Toys Division
Scope 1 GHG Emissions (Intensity) – Reduce by 2-3%	Quantitative intensity target	Toys Division
Scope 2 GHG Emissions (Total, location-based) – Reduce per employee by 1-2%	Quantitative absolute target	Toys Division
Scope 2 GHG Emissions (Intensity, location-based) – Reduce per employee by 1-2%	Quantitative intensity target	Toys Division
Scope 3 (Category 3) GHG Emissions (Total) – Reduce by 2-3%	Quantitative absolute target	Toys Division
Scope 3 (Category 3) GHG Emissions (Intensity) – Reduce by 2-3%	Quantitative intensity target	Toys Division
Achieving net-zero emissions by 2050 jointly with international institutions, gradually reducing emissions	Qualitative target	Toys Division
Formulate low-carbon transition plan	Qualitative target	Toys Division

Category Greenhouse Gas Emissions	Nature	Scope
Others		
Total electricity consumption – reduce electricity usage by 2-3%	Quantitative absolute target	Toys Division
Electricity consumption intensity – reduce electricity usage by 2-3%	Quantitative intensity target	Toys Division
Total water consumption – reduce water usage by 2-3%	Quantitative absolute target	Toys Division
Water intensity – reduce water usage by 2-3%	Quantitative intensity target	Toys Division
Waste disposal (including paper and packaging materials) – reduce indirect CO_2 emission per employee by 1-2%	Quantitative absolute target	Toys Division
Waste intensity (including paper and packaging materials) – reduce indirect CO_2 emission per employee by 1-2%	Quantitative intensity target	Toys Division

Performance Summary

Category	Unit	FY2025	FY2024	Changes
Greenhouse Gas Emissions				
Scope 1 GHG Emissions (Total)	tCO_2e	**169.23**	179.00	-5.46%
Scope 1 GHG Emissions (Intensity)	tCO_2e/1,000 production units	**0.0169**	0.0099	70.71%
Scope 2 GHG Emissions (Total, location-based)	tCO_2e	**5,235.34**	5,283.00	-0.90%
Scope 2 GHG Emissions (Intensity, location-based)	tCO_2e/1,000 production units	**0.5235**	0.2935	78.36%
Scope 3 (Category 3) GHG Emissions (Total)	tCO_2e	**49.20**	49.70	-1.01%
Scope 3 (Category 3) GHG Emissions (Intensity)	tCO_2e/1,000 production units	**0.0049**	0.0028	75.00%
Total GHG emission	tCO_2e	**5,453.77**	5,511.70	-1.05%
Total GHG Emission Intensity per production unit	tCO_2e/1,000 production units	**0.55**	0.31	77.42%
Achieving net-zero emissions by 2050 jointly with international institutions, gradually reducing emissions	Not applicable	**In progress**	Not applicable	–
Formulate low-carbon transition plan	Not applicable	**Not formulated**	Not applicable	–

Notes:

i) tCO_2e is defined as tonne of carbon dioxide equivalent.

ii) The production units for FY2025 and FY2024 were 10,000,000 and 18,000,000 respectively. This data has been used for calculating the intensity data.

Category	Unit	FY2025	FY2024	Changes
Others (including Electricity, Water, Waste)				
Electricity				
Total electricity consumption	Kilowatt hours (kWh)	**9,866,830**	9,838,880	0.28%
Electricity consumption intensity	Kilowatt hours (kWh)/100 pieces	**98.67**	54.66	80.52%
Water				
Total water consumption	Cubic metres (m^3)	**192,181**	194,149	-1.01%
Water intensity	Cubic metres (m^3)/100 pieces	**1.92**	1.08	77.78%
Non-hazardous waste				
Non-hazardous waste, such as wastepaper, domestic waste	Tonnes	**100**	50	100.00%
Non-hazardous waste intensity	Tonnes/10,000 pieces	**0.1000**	0.0278	259.71%
Hazardous waste				
Hazardous waste, such as wasted oil, wasted solvent bottles	Tonnes	**75**	65	15.38%
Hazardous waste intensity	Tonnes/10,000 pieces	**0.0750**	0.0361	107.76%
Waste disposal				
Waste disposal (including paper and packaging materials)	Tonnes	**2,030.00**	2,607.50	-22.15%
Waste intensity (including paper and packaging materials)	Tonnes/100 pieces	**0.0203**	0.0145	40.00%

During FY2025, Scope 1 – Direct emission decreased by 5.46%, attributable to reduce vehicle fuel consumption.

Scope 2 – Indirect Emissions decreased by 0.90%, primarily attributable to changes in emission factor for purchasing electricity in Mainland China.

Scope 3 – Category 3 Emissions decreased by 1.01%, resulting from decreasing usage of Municipal water. Waste disposal decreased by 22.15%, primarily due to the adoption of packing materials that generate less waste.

Going forward, the Group will continue to reduce usage of resources to advance the de-carbonisation process.

Additional Information on Indicators and Targets

According to research by the IPCC and the United Nations Framework Convention on Climate Change, anthropogenic greenhouse gas emissions have been identified as the primary driver of modern climate change. Carbon dioxide is the non-hazardous greenhouse gas ("**GHG**") generated indirectly from the use of electricity in its production. To reduce indirect CO_2 emissions, the Group has formulated a sustainability strategy that will continue to improve its energy saving practices, including strictly controlling the electricity consumption of its production facility. Accordingly, the Group's targets focus on greenhouse gas emissions, covering both direct and indirect emissions. These targets enable it to align with local government and international reduction commitments, while comprehensively mitigating the impacts of climate change. The existing targets of the Group have been determined with reference to the nature of its business, as well as the relevance and materiality of the subject being monitored. These targets have not been subject to third party verification nor have they been derived using a sectoral de-carbonisation approach. Looking forward, the Group will take into account peer ESG disclosures, the latest regulatory requirements, the latest international agreement on climate change (including jurisdictional commitments that arising from that agreement), as well as ongoing guidance and support from regulators, to update and establish indicators and targets applicable to the Group, including both cross industry and industry specific indicators.

Greenhouse gas emissions are measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). Under this standard, greenhouse gas emissions are categorised into three scopes:

- Scope 1 – Direct emissions from company operations, including stationary sources, mobile combustion sources (covering land, air and marine transport), refrigerants (including hydrofluorocarbons and perfluorocarbons), and deductions for removals from newly planted trees.

- Scope 2 – Indirect emissions from energy use, primarily arising from electricity and town gas consumption.

- Scope 3 – Other indirect emissions generated by the entity's business activities but from sources not directly controlled by the entity.

The greenhouse gases covered include CO_2, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. Based on the current operations, the Group's major emission is carbon dioxide, and such emissions are disclosed in metric tonnes of carbon dioxide equivalent.

The measurement involves multiplying activity data from each emission source (e.g., fuel consumption under Scope 1, energy consumption under Scope 2) by the corresponding emission factors and global warming potential ("**GWP**") values, where applicable. Activity data is obtained through the Group's data collection system, while emission factors and GWP values are sourced from international and local regulators, academic institutions and public utility organisations, and are updated as necessary. The Group has assumed that activity data, emission factors and GWP values remain consistent during the preparation of the ESG report, and that the ESG report preparers apply consistent methodologies and principles, thereby ensuring the comparability of emissions across reporting years and among different companies. In compliance with the ESG Reporting Gode, the Group quantified Scope 2 GHG Emissions using a location based method and disclosed Scope 3 GHG Emissions in accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Unless otherwise specified, intensity values are calculated by dividing the total emissions or resource consumption by the every 100 units of production of applicable business. The production units for FY2025 and FY2024 were 10,000,000 and 18,000,000 respectively. Accordingly, the division factors adopted were 100,000 sets of 100 units in FY2025 and 180,000 sets of 100 units in FY2024.

With reference to the Implementation Guidance for Climate Disclosures under HKEX ESG Reporting Framework, the Greenhouse Gas Protocol is one of the most commonly used global frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. It establishes five key principles – Relevance, Completeness, Consistency, Transparency and Accuracy – to ensure a true and fair representation of greenhouse gas emissions. Adoption of the Greenhouse Gas Protocol enables us to meet Listing Rule requirements and enhances the quality of its ESG reporting.

For Scope 2 emissions, the Group has not entered into any contractual instruments or arrangements with electricity suppliers. Therefore, supplier specific emission factors are not applicable, and the measurement is based on emission factors commonly adopted in the regions where it operates.

Due to limitations in data collection, it is not feasible to comprehensively gather all Scope 3 emission data applicable to the Group for disclosure. With reference to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011), Category 3 – Fuel and Energy-related Activities – is applicable and material to us. The Group will strengthen engagement with relevant stakeholders and continue to improve its data collection system to obtain reliable data for timely disclosure. The Group believes that increasing regulatory requirements and growing public attention to ESG matters will facilitate the establishment of a more effective data collection system.

Except for Scope 3 emission targets, archiving net-zero by 2050 and formulate transition plan are new targets in FY2025, the Group has not changed the methodologies, input data, or assumptions for greenhouse gas measurement, nor have any targets been revised during FY2025.

In assessing whether the established metrics and targets have been achieved, the Group reviews past business activities during the preparation of annual ESG reports. For quantitative targets, achievement is determined by comparing the results – measured using the measurement approach described above – against the set targets. Apart from greenhouse gas emissions, this ESG report sets out in the "Emissions" and "Use of Resources" sections the details and performance of its efforts in emission reduction and energy efficiency.

Given that internal carbon pricing systems and carbon credit mechanisms for offsetting greenhouse gas emissions are not yet prevalent in the regions where it operates, the Group has not applied carbon pricing in its decision making, and the targets set as well as the total emissions disclosed for greenhouse gas emissions are presented on a gross rather than net basis. The Group has nonetheless considered potential environmental impacts and compliance with applicable laws and regulations in its decision making. Looking ahead, it is anticipated the opportunities that will arise from long-term regulatory frameworks and carbon trading. These mechanisms will enable us to explore alternative approaches to combat climate change, leveraging sustainable financial instruments. As the global economy transitions towards carbon neutrality, it remains committed to assessing and managing the climate-related risks and opportunities associated with its business.