DIWANG INDUSTRIAL HOLDINGS LIMITED

帝王實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1950)

2025

Environmental, Social and Governance Report

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ABOUT DIWANG INDUSTRIAL HOLDINGS

Diwang Industrial Holdings Limited ("**Diwang**" or the "**Company**"; or together with its subsidiaries as the "**Group**" or "**we**") is principally engaged in 2 major businesses: the research and development, manufacturing and sale of coating agents and synthetic resins (the "**Faux Leather Chemicals Business**"); and the production and sales of liquor products (the "**Chinese Liquor Business**") .

Zhejiang Sunlight Material Technology Co., Limited, a wholly owned subsidiary of the Group, is an established faux leather chemicals manufacturer in the People's Republic of China ("**PRC**") principally engaged in the research and development, manufacturing and sale of coating agents, namely colourants, finishes, additives and synthetic resins. Our products for the manufacturing of synthetic leather have wide applications in different industries, including apparel, footwear, handbags, automobile interior decoration, home furnishings and sports equipment. The Chinese baijiu products of Guizhou Dichiwang Sauce And Wine Company Limited, a non-wholly owned subsidiary of the Company, comprise a comprehensive range of products with varied packaging, alcohol content, design, taste etc., targeting the young to middle-aged public to middle class consumer market in the PRC.

MAJOR CERTIFICATIONS AND ACHIEVEMENTS

In 2025, the subsidiary of Diwang – Zhejiang Sunlight Material Technology Co., Ltd. was awarded with


环境管理体系认证证书

浙江深蓝新材料科技有限公司

GB/T 24001—2016/ISO 14001:2015

合成革涂层用着色剂、处理剂、高分子材料的设计、开发、生产及相关活动

- Environmental Management Systems Certification GB/T 24001 – 2016/ISO 14001:2015


职业健康安全管理体系认证证书

浙江深蓝新材料科技有限公司

GB/T 45001—2020/ISO 45001:2018

合成革涂层用着色剂、处理剂、高分子材料的设计、开发、生产及相关活动

- Occupational Health and Safety Management Systems Certification GB/T 45001-2020/ISO 45001:2018



- High-Tech Enterprise Certificate; and,



- Enterprise under the Hangzhou Province Patent Operation Pilot Program

ABOUT THE REPORT

This Environmental, Social and Governance ("**ESG**") Report (the "**Report**") aims to report the ESG related policies, measures and performance of the Group in 2025, including the Group's overall performance in environmental protection, employee protection, work safety and social responsibility. It enables stakeholders to understand the Group's progress and development direction on sustainability issues.

Reporting Period and Scope

The Report presents the Group's sustainable development policy and performance from 1 January 2025 to 31 December 2025 (the "**Reporting Period**" or "**2025**"). Unless otherwise specified, the Report covered and focused on the segment in the PRC, relating to the Faux Leather Chemicals Business which has a relative significant impact to the environmental and social aspects.

Reporting Basis

The Report is prepared in accordance with the Mandatory Disclosure Requirements and "Comply or explain" Provisions in the "Environmental, Social and Governance Reporting Code" (the "**Code**") set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reporting Principles

Preparation of the Report complies with the principles of materiality, quantitative and consistency as required by the Code.

Materiality	Quantitative	Consistency
The Group collects opinions from stakeholders through different channels and conducts an internal materiality assessment to identify and determine the material ESG issues. Based on the actual business and industry characteristics of the Group, the Board identified and confirmed ESG issues that were most significant. The material issues are prioritized to disclose in the Report. The results of the material issues assessment will be used to guide the Group in formulating its future ESG work plans and objectives, with a view to create sustainable value for stakeholders.	The Group collected the environmental and social key performance indicators (the "**KPIs**") data. Quantifiable disclosures are made in accordance with "Appendix 2: Reporting Guidance on Environmental KPIs" and "Appendix 3: Reporting Guidance on Social KPIs" of "How to Prepare an ESG Report" to monitor and evaluate the Group's progress in implementing environmental and social responsibility initiatives.	The Report has adopted a consistent approach in data collection and calculation method. The reporting scope has been focused on the segment of the Faux Leather Chemicals Business, considering its impact to the environmental and social aspects.

Access to the Report

The Report was prepared in both English and Chinese and has been uploaded to the website of the Stock Exchange. In the event of any conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Stakeholders' Feedback

The feedback from stakeholders helps deepen our understanding of stakeholders and drives our continuous improvement. If you have any comments on the Report or the Group's sustainable development strategy and performance, please contact us at email (ir@slkj.cn).

SUSTAINABILITY GOVERNANCE

In conducting our business operations, the Group is attentive to the impacts of our daily activities on the environment and society. We strive to fulfill the interests of all stakeholders, encompassing economic, environmental, social, and corporate governance aspects, aiming to achieve optimal balance. We are dedicated to setting a positive example for society. We have established an ESG-related management system to manage environmental, social and governance issues systematically. The Board of Directors (the "**Board**") of the Group has established a working group on ESG to assist the Board in making decisions on issues related to sustainable development.

The Board

Fully responsible for the supervision and decision-making of ESG issues, and through regular meetings and close communication with the ESG Working Group, it carried out its duties, including but not limited to:

- Develop and review the Group's ESG framework, strategies, policies, and procedures;
- Review and monitor the implementation of the Group's ESG policies; and
- Set appropriate ESG targets, performance indicators and measures and regularly review the progress.

ESG Working Group

Responsible for the overall planning of ESG management, including but not limited to:

- Assist the Board in formulating, reviewing and implementing the Group's ESG framework, strategies, policies and procedures;
- Regularly evaluate the Group's risks and internal control systems in relation to ESG;
- Supervise and guide the implementation of ESG policies among all its departments; and
- Improve the Group's ESG policies, conduct materiality assessments, and provide opinions to the Board.

Environmental, Social and Governance (ESG) Report

The Report provides an overview of the Group's governance structure and the relevant responsibility and accountability of the Board in relation to ESG. For information about the Group's corporate governance structure and other relevant information, please refer to the Corporate Governance Report in the Company's 2025 annual report.

Stakeholders' Engagement

The Group is acutely aware that the perspectives of stakeholders provide a solid foundation for the long-term development and success of the Group, and is committed to maintaining the sustainable development of our business. We maintain a close relationship with various stakeholders. We are willing to understand the opinions and needs of internal and external key stakeholders through constructive communication so as to determine the direction of our sustainable development. The major communication channels between the Group and stakeholders are as follows:

Customers

- Business visits
- Customer service hotline
- Email
- Communication apps
- Company website

Employee

- Employee handbook
- Employee performance appraisals
- Induction and on-the-job training
- Annual congress, intranet, internal publications and seminars

Suppliers and Business Partners

- Site inspections
- Examination and assessment
- Information and experience sharing
- Business meetings

Investor/Shareholder

- Corporate communications
- General meetings
- Investor relations communication
- Company website

Community

- Phone call and emails
- Company website
- Participate in community activities

Government and Regulatory Organization

- Periodic reports and announcements
- Meetings
- Compliance assessment reports
- Site investigations

MATERIALITY ASSESSMENT

The Board, integrating the views of various stakeholders and operational circumstances, conducted a review of the issues identified in prior years to assess their relevance during the Reporting Period, ensuring the effective identification of material ESG issues for the Group. The process of the materiality assessment is as follows:

Identifying materiality issues

The Group considered various aspects and sorts out the Group's material ESG issues, with reference to:

- "Environmental, Social and Governance Reporting Code" of the Stock Exchange
- ESG material issues mentioned by the Sustainability Accounting Standards Board (SASB);
- ESG material issues mentioned in the ESG Industry Materiality Map of the Morgan Stanley Capital International (MSCI); and
- ESG material issues were identified by peer companies listed in Hong Kong.

Review and examination

- Based on the expectations of major stakeholders and the influence of ESG issues on the Group, the Board reviewed and examined the identified materiality issues to determine the material issues during the Reporting Period.

Establishment of materiality issues

- After reviewing and examining various issues, the Group identified 19 materiality issues involving Environmental Protection, Employment and Labour Practices, Operation Practices, Product and Service Responsibility and Community Investment during the Reporting Period.

Materiality Issues

Environmental Protection	
1. Air and Greenhouse Gas Emissions	4. Environmental Impact of Business Activities
2. Waste Management	**5. Combating Climate Change**
3. Effective Use of Resources	

Employment and Labour Practices	
6. Equal Opportunity, Diversity and Anti-discrimination	9. Training and Development
7. Employment Relationships, Employee Welfare and Benefits	10. Prevention of Child Labour and Forced Labour
8. Occupational Health and Safety	

Operating Practices	
11. Anti-corruption	**13. Supply Chain Management**
12. Crisis or Emergency Management	14. Supplier's Environment and Social Risk

Products and Services Responsibility	
15. Quality and Safety of Products and Services	17. Customer Satisfaction
16. Protection of Customer Privacy	18. Protection of Intellectual Property Rights

Community Investment
19. Community Investment and Participation

Note:

The highlighted issues are the issues classified as high materiality.

INTEGRITY AND COMPLIANCE

The Group advocates a corporate culture of integrity, strictly prohibiting any form of bribery, extortion, fraud, money laundering, and other unethical behaviors, and continues to advance the construction of a corruption-free environment. The Group strictly complies with relevant laws and regulations, including but not limited to the Anti– Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Criminal Law of the People's Republic of China (《中華人民共和國刑法》).

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money-laundering, which would have a significant impact on the Group.

Code of Conduct on Integrity

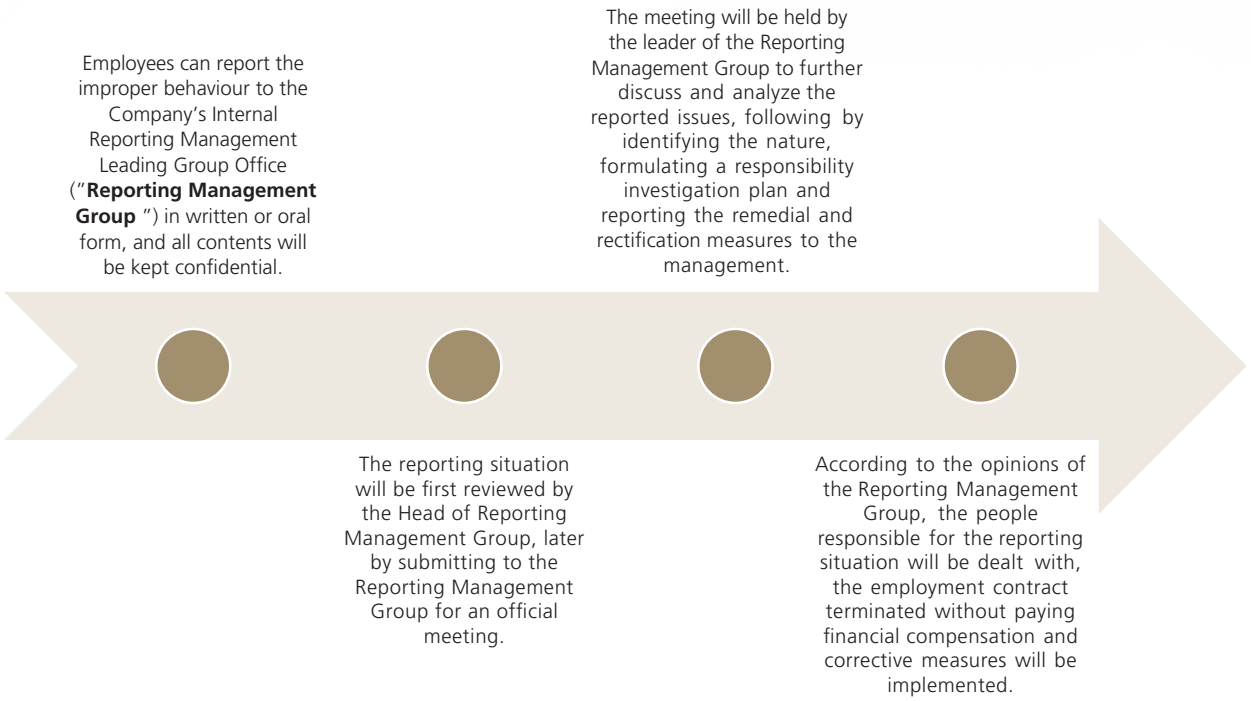
We formulated various internal policies, including "Code of Conduct on Anti-corruption (《反貪污政策行為守則》)", "Conflict of Interest Declaration and Management Policy (《利益衝突申報及處理制度》)" and "Environmental, Social and Governance Policy and Procedure Manual (《環境、社會及管治政策及程序手冊》)". we have made clear responsibility commitments to employees in each position to avoid behaviours that conflict with the Group's interests. When there is a conflict of interest, we require employees to report to the Company in a timely manner. Meanwhile, all directors, management and employees are subject to all national and local government laws and regulations in relation to the prevention of bribery, extortion, fraud, and money laundering in their daily work. It is the responsibility of all the employees to understand and comply with the above policies to prevent bribery, extortion, fraud, and money laundering and report violations to the appropriate persons.

Cultivate Anti-corruption Awareness

In order to raise employees' awareness of potential corruption incidents in their daily work and operations, employees of the Group are required to participate in anti-corruption training upon entry. In addition, we provide the directors with training on connected transactions and anti-corruption. During the Reporting Period, the directors of the Group have completed the relevant training.

Whistle-blowing Channels

The Group has established the "Improper Behaviour Identification and Reporting Mechanism (《不當行為的辨識及舉報機制》)" to encourage employees to take the initiative in the management, supervision and reporting of irregularities. The reporting procedure is as follows:



GREEN OPERATION

The Group is fully aware of the importance of environmental protection for sustainable operations and is committed to integrating green and eco-friendly principles into every business process. The Group continues to improve the environmental management system. We have established a safety and environmental protection division responsible for overseeing the implementation of our environmental protection policies in our business operation to ensure strict compliance with the relevant laws and regulations, policies, and industry standards. We have complied with the laws and regulations related to environmental protection, including but not limited to:

- The Norm of Energy Consumption Per Unit Throughput for Synthetic Leather (《合成革單位產品能源消耗限額》);
- The Technical Specification for Application and Issuance of Pollutant Permit Leather and Fur Making Industry – Fur Making Industry (《排污許可證申請與核發技術規範制革及毛皮加工工業–制革工業》);
- The Action Plan for Reducing Volatile Organic Compounds in Key Industries (《重點行業揮發性有機物削減行動計劃》);
- The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)；
- The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》);
- The Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》); and
- The Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, which would have a significant impact on the Group.

EMISSION MANAGEMENT

As the Group's operations involve production processes, the manufacturing activities generate air pollutants, greenhouse gases, wastewater, and solid waste. In order to comply with the requirements of relevant national laws and regulations, the Group actively implements measures to reduce adverse impacts on the environment. We are committed to continuously reviewing existing measures to reduce waste generation.

Air and Greenhouse Gas ("GHG") Emissions

The Group's major air pollutants are generated by motor vehicle gasoline and natural gas consumption. Air pollutants related to fossil fuel consumption include Nitrogen Oxides, Sulphur Oxides and Particulate Matters. In terms of greenhouse gas emissions, the Group's direct GHG emission comes from motor vehicle gasoline and diesel combustion, while energy indirect GHG emission comes from the use of purchased electricity, natural gas and purchased steam. Due to the introduction of new products and an increase in production volume, electricity consumption for the year increased significantly compared to last year. During the Reporting Period, the data of air and greenhouse gas emissions of the Group is as follows:

Air and GHG Emission	Unit	2025	2024
Air Pollutants			
Nitrogen Oxides	Kg	27.22	27.47
Sulphur Oxides	Kg	0.37	0.39
Particulate Matters	Kg	2.61	2.06
GHG Emissions			
Direct Emission (Scope 1)	tCO_2e	69.19	74.36
Energy Indirect Emission (Scope 2)	tCO_2e	2,033.24	1,096.78
Total GHG Emissions	tCO_2e	2,102.43	1,171.14
Intensity	tCO_2e/RMB100 million revenue[1]	847.95	446.16

[1] The revenue of the captioned segment was RMB247,942,000 for the Reporting Period.

The Group sets continuously reducing the emissions and greenhouse gases generated from its business operations as target. In order to reduce air pollutants, the Group has implemented the following measures:

- Install soft curtains in the automatic batching area of the production workshop
- Add gas collection covers to the packaging area
- Add caps to the batching steel substrate to prevent the gas from
- Install the packers in a closed room
- Install exhaust gas collection facilities in hazardous waste depots and weighbridge batching areas

The air pollutants generated in the factory area are mainly sourced from production process, wastewater treatment system and combustion of canteen stoves. Therefore, we have implemented emission reduction measures targeting these three emission sources.

Production Process	• Collect the air pollutants from the suction hood to the treatment equipment
	• Use the "Three-stage water spray + Activated carbon absorption + Catalytic combustion" method to remove the pollutants
Wastewater Treatment System	• Mainly hydrogen sulfide and ammonia gas generated by microbial activities in the biochemical system
	• Discharge after the closed oxidation absorption treatment once it reaches the standard
Combustion of Canteen Stoves	• Since the amount is relatively small, it is uniformly led from the flue to the roof of the building, and is discharged after being processed by the flue gas purification device

Hazardous and Non-hazardous Waste

To appropriately handle waste disposal, the Group has established clear and specific guidelines, and strictly abide by the local waste classification standards and classify waste. During the Reporting Period, the data of hazardous and non-hazardous waste are as follows:

Type of Waste	Unit	2025	2024
Hazardous Waste			
Waste Resin Solution	Tonnes	22.28	32.01
Filtered Colourant Residue	Tonnes	9.02	9.06
Packaging Waste and Cleaning Debris	Tonnes	75.64	50.7
Ink Cartridge and waste activated carbon	Tonnes	10.66	13.69
Waste lubricating oil	Tonnes	0.83	–
Sludge	Tonnes	0.96	–
Total	Tonnes	119.39	105.46
Intensity	Tonnes/RMB100 million revenue	48.15	40.18

Type of Waste	Unit	2025	2024
Non-hazardous Waste			
Solid Waste generated during the production process	Tonnes	23.09	19.49
Daily and Office Waste	Tonnes	6.00	6.00
Total	Tonnes	29.09	25.49
Intensity	Tonnes/RMB100 million revenue	11.73	9.71

The Group is committed to the target of waste reduction at the source and the recycling of waste materials. We adhere to the principle of "Comprehensive Utilization and Recycling", and implemented the following waste management and treatment measures:

Waste disposal management

- Separate laboratory wastes and domestic wastes;
- More detailed classification on the hazardous waste in the workshop;
- Entrust qualifies entities to dispose of hazardous waste; and
- Establish an industrial solid waste management ledger and submit online declaration materials.

Reduce waste at source

- Post signs in the office to encourage and guide employees to reduce waste generation;
- Promote paperless office, reduce paper usage, and use administration system to reduce paper consumption;
- Sign an agreement with suppliers to recycle raw material packaging barrels to reduce the production of hazardous waste barrels; and
- Use recyclable stainless steel tanks and plastic tanks.

EFFECTIVE USE OF RESOURCES

To promote sustainable development, the Group is dedicated to enhancing energy efficiency by continually monitoring energy consumption data and optimizing energy management as means to achieve the energy conservation and emission reduction targets.

Energy Efficiency

During the Reporting Period, the energy consumption data of the Group is as follows:

Type of Energy	Unit	2025	2024
Direct Energy			
Natural Gas	MWh	35.73	38.35
Diesel Oil	MWh	215.74	234.07
Unleaded Petrol	MWh	20.70	23.10
Solar Energy	MWh	1,748.14	1,405.96
Indirect Energy			
Purchased Electricity	MWh	3,696.78	1,765.72
Purchased Steam	MWh	3.36	2.91
Total Energy Consumption	MWh	5,720.45	3,470.11
Intensity	MWh/RMB100 million revenue	2,307.17	1,321.97

We proactively implement the following environmental measures to enhance our energy efficiency:

- Installed solar power generation equipment on the rooftop of the faux leather chemicals manufacturing factory and use the electricity generated by solar energy our business operations;
- In the colour chips production line, we have invested a screw-discharging kneading machine to improve the heating and kneading efficiency; and
- Implemented measures to promote the effective use of energy in the production management system, such as saving electricity, to raise employees' awareness in energy conservation and environmental protection in production activities.

Water Resource Management

During the Reporting Period, we did not have any issue in sourcing water that is fit for purpose. Due to the nature of our business, the Group consumes water resources in its production processes. The water consumption data of the Group is as follows:

Water Resource	Unit	2025	2024
Water Consumption	m^3	81,810	32,890
Intensity	m^3/RMB100 million revenue	32,995.62	12,529.76

During the Reporting Period, due to changes in product structure, the water demand for new products was relatively high. In response to the increase in water consumption, we have established water conservation measures to enhance water use efficiency, with the ongoing target of reducing water consumption. We circulate the cooling process water of production equipment and use the water– based black pulp product for the recovery of the spray water treated by the spray tower. Besides, we also timely repair the leaking taps and pipes, adopt the production method and the device which can effectively save water. We conduct regular inspection of water consumption and lower the water pressure when it is possible. In addition, we are planning further methods to increase the volume of recycled water to reduce production water consumption.

Reduce Packaging Material

The Group mainly consumes packaging materials such as paper drums, paper bags, plastic drums, plastic bags, and metal drums in product manufacturing and sales. During the Reporting Period, the Group's consumption of packaging materials was as follows:

Type of Packaging Material	Unit	2025	2024
Paper	Tonnes	18.00	10.00
Plastics	Tonnes	9.00	9.00
Metals	Tonnes	477.00	421.00
Wood	Tonnes	36.00	25.30
Total	Tonnes	540.00	465.30
Intensity	Tonnes/RMB100 million revenue	217.79	177.26

CHERISH NATURAL RESOURCES

Due to the nature of our business, the Group generates pollutants during the production process, resulting in a certain degree of environmental impact. To reduce the impact of corporate emissions on the environment, the Group has formulated the "Three Wastes Management Policy《「三廢」管理制度》", which includes:



In addition, the Company has installed online monitoring equipment for exhaust emission data to monitor exhaust emissions in real-time.

"Three Wastes" Management Principles

- Separate pollution sources and pollutants according to environmental laws and regulations;
- Internally based on recycling, externally entrusted with qualified processing institutions; and
- Handling expenses are subdivided into responsible departments, combined with unified assessment of production and packaging consumption.

COMBATING CLIMATE CHANGE

As global climate change issues intensify, international attention to this matter continues to escalate. As a responsible corporation, we are acutely aware of the connection between corporate activities and climate change, as well as the risks that arise from it. In the face of an increasingly severe climate situation, environmental protection is not only a global challenge but also directly linked to the sustainability and development of our business.

The PRC has clearly set the "Dual Carbon" goals of achieving carbon peak by 2030 and carbon neutrality by 2060, providing us with a clear direction. Following this objective, the "14th Five-Year Plan" for ecological and environmental protection has identified carbon reduction transformation as a core mission, highlighting the urgency and importance of low-carbon development. We firmly believe that transitioning to energy saving, reducing energy consumption, and minimizing carbon footprint are imperative for the future growth of any enterprise. Therefore, the Group will align with the national green development objectives, continuously strengthening our response strategy to climate change by implementing more stringent environmental protection measures. To this end, the Group provides customers with water-based colour paste. Compared with oil-based colourants, water-based colourants use water as the medium and contain fewer volatile harmful substances. This reduces the overall consumption of energy and water resources in production and minimizes environmental pollution. In addition, we actively use renewable energy to reduce the impact of energy consumption on the environment. A solar power generation system has been installed on the rooftop of the faux leather chemicals production facility, and solar panels are erected to generate electricity. We store the generated electricity in batteries for subsequent production.

The Hangzhou Municipal People's Government established the "Hangzhou City Heavily Polluted Weather Emergency Plan" (《杭州市重污染天氣應急預案》) with the aim to mitigating the impact of heavy pollution weather, establishing and improving Hangzhou's heavily polluted weather emergency response mechanism, and enhancing early warning and emergency response capabilities. We recognize the potential physical risks that climate change poses to our business operations. Therefore, we have set up the "One factory, One policy" Notice Board for Emergency Response Measures to Heavily Polluted Weather of Industrial Enterprises in Hangzhou(杭州市工業企業重污染天氣應急響應措施「一廠一策」公示牌)in accordance with "Hangzhou City Heavily Polluted Weather Emergency Plan" (《杭州市重污染天氣應急預案》) which enables our Group to take different emergency measures for different climate response levels.

Emergency Response Measures for Heavily Polluted Weather Warning

Liquid Colourant Process

- Stop 1 liquid colourant process

PU Resin Process

- Stop 1 PU resin process

Surface Treatment Agent Process

- Stop 1 surface treatment agent process production line

Solid Colourant Process

- Stop 1 solid colourant process production line

Transportation

- Stop using heavy-duty trucks with National IV or below standard for transportation

STRATEGY

The Company is principally engaged in the research and development, manufacturing and sale of faux leather chemicals, and the production and sale of Chinese liquor products. Our production and operations involve energy consumption, emission treatment, resource usage, and supply chain management. The Company has integrated climate-related issues into its overall development strategy and actively responds to the risks and opportunities brought by climate change through measures such as green operations, energy conservation and emission reduction, environmental product upgrades, and regulatory compliance.

Assessment and Identification of Climate-related Risks and Opportunities

The Company recognizes the importance of climate change risks and opportunities and has thoroughly integrated climate change strategies into its overall development strategy. We have analyzed the potential impacts and impact periods of various physical and transition risks that may have a material impact on the Company's business model or upstream and downstream value chains, and conducted an analysis of potential financial impacts.

Physical Risks

Risk Type	Risk Description	Impact on Business Model	Impact on Value Chain	Impact Period
Acute Risk				
Heavily Polluted Weather	Triggers local emergency response plans, requiring implementation of production reduction, production limits, and transportation controls, which affect production continuity.	Disruption of production plans, delivery delays, and increased operating costs.	Obstruction of raw material supply and product shipments; decreased efficiency in upstream and downstream synergy.	Short-term
Extreme Weather (Rainstorms/ Typhoons etc.)	Damage to factory facilities, warehousing, power and water supply systems.	Increased repair costs for fixed assets; loss of revenue due to production halts.	Disruption of supplier logistics; impact on customer supply security.	Short-term, Medium-term
Chronic Risk				
Heatwaves	Significant increase in production energy consumption, increased load on equipment, and decreased employee efficiency.	Rising energy costs and reduced production efficiency.	Pass-through of upstream energy supply costs; extended delivery cycles for downstream customers.	Long-term

Transition Risks

Risk Type	Risk Description	Impact on Business Model	Impact on Value Chain	Impact Period
Policy Risk	Tightening policies on environmental protection, VOCs, carbon emissions, and solid waste management.	Increased environmental investment and rectification costs; rising non-compliance risks.	Suppliers must meet environmental requirements; rising supply chain costs.	Long-term
Market Risk	Downstream industries accelerating transition to low-carbon, water-based, and low-VOC products.	Market space for traditional products shrinking; need for faster product structural adjustment.	Higher green procurement thresholds for downstream customers; intensified market competition.	Medium-term, Long-term
Technical Risk	Increased demand for cleaner production, energy-saving, and exhaust gas treatment technologies.	Increased investment in technical transformation and equipment updates; increased transition pressure.	Rising costs of upstream environmental equipment and technical services.	Medium-term
Reputation Risk	Increased focus from customers and investors on the corporate green and low-carbon performance.	Insufficient environmental performance will affect brand and customer trust.	Higher entry thresholds for high-quality customers and partners; restricted business expansion.	Long-term

Climate-related Opportunities

We also note that the green transformation of the chemical industry and the expansion of the environmental product market, driven by climate change, are expected to bring climate opportunities in terms of resource efficiency, markets, products, and services.

Opportunity Type	Description	Impact on Business Model	Impact on Value Chain	Impact Period
Resource Efficiency	Improving the efficiency of electricity, water, energy, and raw materials; reducing unit consumption.	Reduced operating costs and improved profitability.	Reduced upstream resource consumption; improved overall supply chain efficiency.	Short-term
Products and Services	Rapidly growing demand for water-based environmental chemicals, low-VOC, and low-carbon products.	Increased sales share of green products; expanded space for business growth.	Meeting green demands of downstream customers; enhanced industry chain competitiveness.	Short-term, Medium-term, Long-term
Market	Green manufacturing and low-carbon recognized enterprises gain easier access to customers, capital, and policy support.	Increased market share and brand premium; improved financing environment.	Priority cooperation in green supply chains; concentration of industrial resources.	Short-term, Medium-term, Long-term

Climate Scenario Analysis

During the reporting period, the Group conducted climate scenario analysis to gain a deeper understanding of and respond to the potential impacts of climate change. This analysis covers physical and transition risks. We adopted the "Shared Socioeconomic Pathways" (SSP) of the Intergovernmental Panel on Climate Change (IPCC) and the "NGFS Climate Scenarios" of the Network for Greening the Financial System (NGFS). This method allows us to better understand the resilience of our climate strategy and the potential impact on core business under climate fluctuations.

Physical Risks

Climate Scenario	Low-risk Scenario	High-risk Scenario
	SSP 1-1.9	SSP 5-8.5
Scenario Description	• Rapid global phase-out of fossil fuels, with global CO_2 emissions reaching Net Zero around 2050. Renewables become dominant with widespread electrification. • Large-scale afforestation. • Rapid development and deployment of low-carbon technologies, including energy storage, hydrogen, and Carbon Capture and Storage (CCS). • Extensive global cooperation on stringent climate policies; consumer behavior shifts toward low-carbon choices.	• High dependence on abundant and globally connected fossil fuel resources. • High levels of technological innovation, but primarily focused on energy extraction and consumption efficiency rather than low-carbon alternatives. • Lack of effective global carbon pricing mechanisms or stringent international climate agreements. • Global income disparities are narrowing, and investment in human capital is increasing.
Expected Warming	Temperature rise limited to below 2°C by 2100.	Temperature rise reaching 4.4°C by 2100.

Transition Risks

Climate Scenario	Low-risk Scenario	High-risk Scenario
	Net Zero 2050	Current Policies
Scenario Description	• Immediate implementation of stringent climate policies to achieve Net Zero CO_2 emissions by 2050. • Carbon prices reached high levels early (approximately USD100 per tonne of CO_2e in 2020) and continue to rise rapidly, altering consumption and production patterns. • Deployment of Carbon Dioxide Removal ("CDR") technologies to accelerate decarbonization, though scale is constrained by sustainability factors.	• Maintenance of current policies without adding new emission reduction commitments or measures. • Slow technological change; fossil fuels continue to dominate the energy system. Renewable energy growth is insufficient to disrupt the status quo. • Low carbon pricing, failing to effectively drive deep decarbonization.
Expected Warming	Global warming limited to below 1.5˚C by 2100 (50% probability).	Temperature rise exceeding 3˚C by 2080.

We have assessed the potential impacts and levels of climate-related risks on the Group's production and business activities based on climate scenarios, as well as how these correlate with our strategic decision-making and planning horizons. The potential climate-related risks faced by the Group are set out below:

Physical Risks

Risk Category	Potential Impact	Risk Level		Time Horizon[1]	Mitigation Strategy
		SSP1-1.9	SSP5-8.5		
Frequent extreme weather events (e.g., rainstorms, extreme heat, intense cyclones, floods, drought, and water scarcity) may adversely affect or pose risks to the construction and operation of the Group's projects.	Production disruptions caused by extreme weather may affect infrastructure such as power systems, drainage systems, or production equipment, leading to associated maintenance losses.	Low	Medium	Short-term	• The Group has established emergency arrangements and closely monitors its business operations.
	Increased extreme weather may directly impact the operations of warehouses and production bases, leading to increased costs.	Low	Medium	Medium-term	• Purchase insurance for the Group's production facilities and employees.
	Impact of extreme weather on logistics supply chains, production efficiency, and employee commuting, resulting in operational and financial losses.	Low	Medium	Medium-term	• Provide advance notice of arrangements to employees during adverse weather conditions to reduce potential impacts of physical risks.

Risk Category	Potential Impact	Risk Level		Time Horizon[1]	Mitigation Strategy
		SSP1-1.9	SSP5-8.5		
Long-term changes in climate patterns (e.g., sustained high temperatures leading to sea-level rise or prolonged heatwaves) may pose chronic climate risks to the Group.	Long-term systemic rising temperatures will increase energy consumption and demand for temperature control, potentially leading to rising operating costs, accelerating the aging of production equipment, and driving up maintenance costs.	Low	Medium	Medium-term	• The Group will identify such risks and prioritize those with significant impacts to take preventive measures at the earliest opportunity.
	High-temperature environments may subject employees to higher heat stress and health hazard risks, potentially affecting productivity and overall employee well-being.	Low	Medium	Short-term	
	Climate change may alter the lifestyle habits of consumers in different regions, affecting product preferences and choices.	Low	Medium	Long-term	
	The occurrence of long-term climate risk events leads to a reduction in insurance reimbursements.	Low	Medium	Medium-term	

[1] Time horizons are defined based on the period during which climate-related risks may impact the Group's operations. Short-term is 1 to 3 years, medium-term is 3 to 5 years, and long-term is 5 to 10 years. These selected timeframes are widely used in the industry and are consistent with our short-to-medium-term carbon reduction targets and actions.

Transition Risks

Risk Category	Potential Impact	Risk Level		Time Horizon	Mitigation Strategy
		Net Zero 2050	Current Policies		
Climate change affects markets in complex ways, such as altering the supply and demand for certain commodities, products, and services.	In the future supply chain, due to tightened carbon emission regulations, high-energy-consuming production equipment may face additional taxes or restricted use.	Medium	Low	Medium-term	• The Group actively introduces new eco-friendly equipment and gradually phases out high-energy-consuming facilities to align with national new energy policy developments. • The Group regularly monitors existing and emerging climate-related trends, policies, and regulations, and obtains compliance consulting services when necessary to avoid reputational risks caused by slow response.
	With the energy transition, prices of certain raw materials may rise due to increased decarbonization costs passed down from upstream suppliers.	Medium	Low	Long-term	
	The Group's products and services may need to adapt to various demands from potential customers regarding climate-related matters.	Low	Low	Medium-term	
Shifts in domestic and international climate policies, as well as global trends such as China's carbon peak and carbon neutrality goals, constitute risk factors.	Tightening of relevant policies and/or regulations leads to increased costs to meet compliance requirements, including but not limited to rising operating costs, insurance costs, compliance costs, and non-compliance fines.	Medium	Low	Medium-term	• The Group continues to assess the effectiveness of its climate change actions and enhances its capacity to respond to climate-related issues. • Encourage employees to participate in conferences and training to stay abreast of the latest technical developments.
	Stringent disclosure requirements for environmental data and carbon footprint audits conducted by customers increase management difficulty.	Medium	Low	Medium-term	

While the Group is mindful of the numerous challenges mentioned above, we also recognize the opportunities arising from climate change. The market demand for low-emission products may present significant business opportunities. The Group is committed to capturing these emerging prospects, staying abreast of market trends, and seeking sustainable growth opportunities.

Business Model and Value Chain

Climate-related Risk	Current Impact	Anticipated Impact
Frequent extreme weather events (such as rainstorms, extreme heat, intense cyclones, floods, drought, and water scarcity) may adversely affect or pose potential risks to the production and operation of the Group.	Persistent extreme heat and heatwaves present challenges to the Group's operations. Extreme heat may lead to a sharp rise in energy demand, further burdening infrastructure.	Increased severity of extreme weather events may jeopardize the Group's investment in property and equipment. Acute flooding may cause power failures, rendering production lines inoperable and resulting in the loss of critical production batches.
Long-term changes in climate patterns may pose chronic climate risks to the Group, such as sustained high temperatures leading to sea-level rise or prolonged heatwaves.	Currently, water resources are required during the operation of the Group's offices and production bases. Long-term temperature rises will increase the utilization of water resources.	Sustained temperature rises will require the Group's cooling systems to pay higher energy costs, potentially increasing the Group's operating expenses.
Climate change affects markets in complex and diverse ways, such as altering the supply and demand for certain commodities, products, and services.	The Group's suppliers may pass the costs of low-carbon transition into raw material prices. Meanwhile, increased market focus on "sustainable R&D" affects institutional investors' valuation of the company.	As the global economy transitions to a low-carbon model, demand for low-carbon emission processes may increase. Additionally, climate change may alter consumer habits, affecting the Group's products and market positioning.
Shifts in domestic and international climate change policies, as well as the evolution of global trends such as China's carbon peak and carbon neutrality goals, constitute relevant risk factors.	The Group currently needs to invest additional resources to comply with tightening climate change policies and/or regulations.	More resources will need to be invested to comply with relevant policies and/or regulations.

Strategy and Decision-making

The Group recognizes the critical importance of identifying and mitigating any material impacts of climate change and has integrated climate-related risk analysis into its core risk appetite settings to address identified climate risks. Regarding current and anticipated changes in business models and resource allocation, the Group has actively aligned with national new energy policy developments by gradually phasing out legacy high-energy-consuming equipment and introducing new eco-friendly facilities.

In terms of current and expected mitigation efforts, the Group is committed to reducing greenhouse gas (GHG) emissions and energy consumption, contributing to the transition toward a low-carbon economy. We adhere to the "3R" environmental principle—Reduce, Reuse, and Recycle—within our business operations. This includes establishing a paperless working environment by mandating the use of electronic versions over paper documents to reduce waste, and implementing stringent waste management policies. Simultaneously, the Group has developed comprehensive adaptation measures for physical risks, including "emergency plans" and work arrangements for employees during extreme weather to ensure the continuity of factory operations. We also maintain insurance coverage for our production facilities and staff and implement preventive measures by prioritizing the identification of risks with severe potential impacts.

Furthermore, the Group recognizes that human resources are the foundation of business development. Therefore, we provide regular climate-related occupational health and safety training to employees to enhance their capacity to respond to operational disruptions caused by extreme weather. The Group will continue to monitor emerging climate-related trends, policies, and regulations, seeking professional compliance advisory services when necessary to avoid reputational risks resulting from delayed responses. By continuously evaluating the effectiveness of our climate actions and enhancing our adaptive capacity, the Group is dedicated to achieving sustainable development within a challenging climate environment.

Risk Management

The Group has incorporated climate-related considerations into its daily operations and its Enterprise Risk Management (ERM) system. The Board assumes full responsibility for the Group's ESG matters and related reporting, while management is responsible for addressing risks and opportunities related to sustainable development (including climate change). We continuously monitor these risks to ensure they are integrated into the Group’s development, business decisions, and approval processes. The Group ensures that all offices and factories owned or operated by us comply with the standards required by applicable environmental laws and regulations. We attach great importance to stakeholder relationships and their feedback on our business and ESG performance, aiming to actively balance the interests of all parties and promote corporate sustainability.

SUPPLY CHAIN MANAGEMENT

The Group is fully aware that procurement and supply chain management are critical to our business operations. Hence, we uphold a commitment to integrity in operational practices and adherence to business ethics. To ensure product quality, we select high-quality suppliers nationwide. As at 31 December 2025, the Group had a total of 296 suppliers, which all of them are from the PRC.

Supplier Screening and Evaluation

In order to review supplier qualifications and identify environmental and social risks associated with our suppliers, the Group has established a comprehensive supplier assessment mechanism, and conduct audits by third-party organizations when necessary. We outlined seven requirements for the selection of suppliers:

1. Require an independent legal entity to be able to provide relevant legal and financial documents (including business license and bank information); If special qualifications are required, qualifications and certificates are also needed;

2. Abide by the laws and regulations in the PRC and the relevant social responsibilities and ethics, in particular, those relating to the protection of labour rights, health and safety, environmental protection and business ethics;

3. Have adequate capital strengths and supply capacities to meet the Group's supply sizes and the ability to deliver on schedule;

4. Acknowledge the procurement needs of the Group and is capable of providing corresponding technical indicators and safety and environment certificates when supplying materials;

5. Capable of arranging business personnel who are familiar with the material supplied thereof to contact us so as to ensure that their material supplied meets our requirements;

6. Operate with processes that meet the management requirements of the Group, as well as comply with the relevant regulations and rules; and

7. Abide by business ethics and therefore shall not disclose any business or technical information of the Group to any entity or individual without the consent of the Group.

When a supplier is inconsistent with the Group's policies or contract requirements, the Group will terminate future cooperation until the situation improves.

In January of each year, the Procurement Department is responsible for conducting supplier evaluations to verify the validity of various supplier certifications, ensuring compliance with our requirements. The Procurement Department evaluates the supplier's annual situation based on the data registered daily in the database. During the Reporting Period, we have evaluated all of the major suppliers.

Supplier Evaluation Procedure



Regarding the Faux Leather Chemicals Business, we are a founding member of China Synthetic Leather Green Supply Chain Industrial Innovation Strategic Alliance(中國合成革綠色供應鏈產業創新戰略聯盟). The Group adheres to eco-friendly, environmental protection and sustainable development, as well as integrate green environmental protection concepts into supply chain management and procurement. During the procurement process, we actively consider the impact of products or raw materials on the environment and prefer suppliers with closer geographical locations to reduce carbon emissions during transportation. Moreover, we carefully select suppliers that strictly prohibit unethical labour practices, including child labour and forced labour.

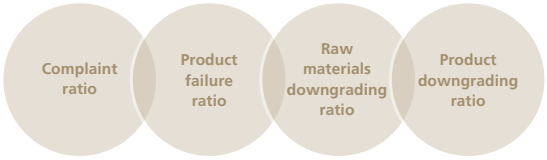
PRODUCT RESPONSIBILITY

Product responsibility is a core element of the Company's sustainability strategy within our corporate philosophy. Therefore, the Group places great importance to product quality and continues to improve the quality management system. We also actively listen to the opinions of our customers, adopt their suggestions, and make improvements to enhance the quality of our products and services. The Group strictly complied with the relevant laws and regulations, including but not limited to the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》).

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress, which would have a significant impact on the Group. During the Reporting Period, the Group had 9 registered trademarks, 20 patents and 2 pending patent applications.

Product Quality Management

We continuously implement a rigorous quality control system to ensure that each product meets the highest standards of environmental protection and social responsibility before it is released to the market, reflecting our unwavering commitment to high standard of product quality. To comply with different quality control laws, regulations, and standards, we have developed a quality management system, which sets out three principles for quality management, including (1) determining work objectives and sorting out management process; (2) a practical and realistic attitude shall be adopted for day-to-day work, which shall be carried out based on facts and well– documented; and (3) the management shall be engaged in monitoring, giving feedback and continuous improvement. Additionally, we set up a quality management section in the Manufacturing Department which is mainly responsible for managing the quality work of the Manufacturing Department, as well as sorting out the relevant quality management process of the Company. The chief engineer of the Business Department is responsible for the quality management of the relevant Business Department. The technical team of the Business Department is responsible for formulating testing methods, testing standards and samples. The production section of the Business Department is responsible for monitoring the process of daily raw materials, intermediates, products, and packaging products. At the beginning of each year the Group will determine the quality goals for the year and conduct assessments based on the following goals at the end of each year.



To adopt the most suitable materials, all new materials or similar materials provided by different suppliers must first obtain samples for testing. Before the bulk procurement for mass production, all new materials, products, and formulas must undergo pilot tests. In addition, the number of batches for the pilot test is controlled where we commence production with the smallest amount of materials to prevent a large number of experimental defects during the test. To maintain strict control over the product quality appraisal process, the Company has formulated a complete set of sampling and sample retention principles.

To handle product return, the Company has developed a standard product-returning procedure, covering the workflows of product inspection, registration and cost accounting. During the Reporting Period, the Group did not have any products sold subject to recalls for safety and health reasons.

Customer Complaint Management

The Group is well aware that customer feedback is crucial for the continuous improvement of our business governance. Therefore, we firmly believe in the "Market-centred, Customer-oriented" business philosophy. To meet the ever-changing needs of our customers, we strengthen product after-sales service to improve customer satisfaction. We have a systematic policy in place to deal with customer complaints.

Complaint Management Policy (《投訴管理制度》)

- The complaints and unusual situations of the Group are all managed by the chairman of the Board.
- If a customer's complaint involves product quality, of which the production batch number has been generated for one month or below, the Sales Department shall examine the inventory and sales of the whole batch of products and fill out the record accordingly.
- In connection with the complaint, the chairperson of the Board determines the loss of the Group and the responsible persons, while the responsible department conducts an analysis and makes improvements.
- If it is determined that the complaint on the product is attributable to the deficiency of raw materials, a raw material report is to be completed separately.
- In the process of handling, the Administrative Department tracks the progress, registers it in the monthly quality complaint report and uploads it to the server of the Group for use among employees.

During the Reporting Period, the Group was not aware of any significant complaints related to products and services.

Customer Privacy Protection

The Group ensures that customer privacy information is properly protected in all business activities, thereby demonstrating our commitment to building customer trust. We strictly abide by relevant laws and regulations. In order to strengthen the protection, we use the ERP system and set permissions for the users. At the same time, we have set up an encryption system to encrypt all electronic documents. The materials can only be obtained or sent after approval and decryption by supervisor.

Advertisement, Labelling and Intellectual Property Rights

The Group deeply understands the importance of intellectual property rights in promoting innovation and maintaining a fair competitive environment. The Group obtained a patent for the invention of a preparation method for an organosilicon emulsion. The Group established detailed patent management policies in accordance with the Patent Law of the People's Republic of China (《中華人民共和國專利法》), including general principles for patent management, patent application, patent awards, responsibilities, and penalties, as well as patent transfer, so as to effectively standardize the Company's mechanism for use and protection of patents.

Furthermore, the Company has established an intellectual property protection policy aimed at encouraging innovation and respecting intellectual achievements, while also ensuring the fairness and sustainability of our commercial activities:

- Labour contract contains confidentiality clause and stipulates that all of the inventions, designs, technologies, and any other intellectual property that the employees develop or obtain during their employment belong to the Group;

- Install encryption software on the computers of all the employees, and the approval of its department head is required if encrypted documents need to be decrypted and sent to external parties;

- Passwords encrypt the key research and development records, and only a limited number of key personnel have access to such information; and

- Certain key chemical formulas, manufacturing procedures and technical knowledge are stored on password– protected computer hard drives, which are only accessible by the relevant key employees and personnel of the Research and Development Department.

When promoting products and services, the Group strictly abides by relevant laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) to ensure the authenticity of all promotional content so as not to mislead consumers.

EMPLOYMENT RELATIONSHIP

The Company is keenly aware that employees are the most valuable asset of the enterprise, and their well-being and growth are directly related to the overall sustainable development of the Company. Therefore, we are committed to creating a supportive and inclusive work environment, ensuring that employees can work and develop under healthy, safe, and fair conditions. The Group strictly abided by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), formulated a comprehensive system including the "Employee Employment Regulations (《員工僱用規章制度》)", "Employee Handbook (《員工手冊》)" and "Administrative and Human Resources Management System (《行政人事管理制度》)", and implemented the principle of equal and voluntary employment of both parties.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, which would have a significant impact on the Group.

Employee Overview

As at 31 December 2025, there were 177 full-time employees based in the PRC within the reporting scope. The data of employees by gender, age group and employment type is as follows:

Employee Distribution	Unit	2025	2024
By Gender			
Male	Person(s)	136	151
Female	Person(s)	41	40
By Age Group			
35 or below	Person(s)	45	52
36-45	Person(s)	57	56
46-55	Person(s)	50	49
56 or above	Person(s)	25	34
By Employment Type			
Full-time	Person(s)	177	191
Part-time	Person(s)	–	–

During the Reporting Period, the turnover rate of the reporting scope by gender, age group and geographical region is as follows:

Turnover Rate	Unit	2025	2024
By Gender			
Male	Percentage	16	17
Female	Percentage	22	18
By Age Group			
35 or below	Percentage	36	33
36-45	Percentage	14	9
46-55	Percentage	6	10
56 or above	Percentage	16	12
By Geographical Region			
PRC	Percentage	18	17
Employee Turnover Rate	Percentage	18	17

Employment Management Policy

The Company is deeply aware of the importance of retaining talent for maintaining competitiveness and ensuring continuous development. Therefore, the Group has a comprehensive employment management system in place, dedicated to building a high-quality team of professionals.

Rights and Benefits

The Group has made clear provisions for employee rights and benefits in the Employee Handbook and labour contracts, ensuring that all employees are guaranteed their rightful entitlements and benefits. We provide employees with basic salary, bonuses and various allowances, including cars, lunch, high temperature, business travel, dormitories, etc., and provide employees with benefits such as working meals, social activities, travel, and free medical examinations. Meanwhile, in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Group ensures timely payment of social insurance fees such as housing provident fund, endowment insurance, medical insurance and unemployment insurance for our employees, who are also entitled to any legal provisions such as salary, benefits, and holidays, such as industrial injury leave, sick leave, marriage leave, etc.

Recruitment and Remuneration

We recruit employees through, various channels, including, posting recruitment notices on our recruitment website. We determine the remuneration of our employees based on factors such as qualifications, responsibilities, contributions, and work experience. The key principle of the remuneration policy is to remunerate employees in a market-competitive manner. We will do our best to recruit and retain the right people. We continuously evaluate our available human resources and will determine whether we need to recruit additional staff to match our business development.

Female Employee Pregnancy Protection

The Group makes every effort to ensure that female employees are entitled to various holidays and insurance according to relevant laws, so as to create a good working environment for female employees. During pregnancy, the time spent on prenatal check-ups by female employees will be treated as work. If a female employee needs to take a rest during the pregnancy protection period, the treatment during the pregnancy protection period shall be handled in accordance with the company's relevant regulations on sick leave.

Promotion Management

We promise that all employees have equal opportunities for work and promotion and will not be discriminated against due to age, gender, physical health, marital status, family status, race, colour, nationality, religion, political affiliation and other factors. The Group conducts annual appraisals based on the performance of employees. We have listed the evaluation criteria in the "Administrative and Human Resources Management System (《行政人事管理制度》)", and the evaluation is carried out according to the actual situation. For outstanding employees, priority is given to promotion.

Working Hours and Holiday

We implement a standard working hour system in accordance with the law. The relevant regulations on working hours and holidays are outlined in the Employee Handbook. We arrange for employees to work overtime according to work needs and relevant laws and regulations and protect employees' right to rest in accordance with the law.

OCCUPATIONAL HEALTH AND SAFETY

The Company is acutely aware that the safety and health of our employees are vital to achieving sustainable operations. Therefore, we are committed to establishing a robust work environment and implementing an effective safety and health management system to ensure that every employee can work in a safe and healthy environment. In order to ensure the health and safety of employees, the Group strictly abided by the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and has formulated the "Occupational Health Management Policy (《職業衛生管理制度》)", which stipulates a series of occupational health-related responsibilities and safety measures, including:



During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards, which would have a significant impact on the Group.

Occupational Protection

The Group attaches great importance to employee safety and occupational disease protection. According to relevant national laws and regulations, we have established a safety production system and require employees to abide by the Group's labour safety system strictly. We stipulate labour protection, working conditions and occupational hazard protection clauses in the labour contract, and strictly prohibit illegal operations to prevent accidents in the labour process and reduce occupational hazards. During the Reporting Period, the work injury rate and work-related fatalities rate of the Group remained at zero. No work-related fatalities were reported in the past three years (including the Reporting Period). There are no lost days due to work injury reported during the Reporting Period.

Depending on the job nature, employees will be informed of the possible occupational hazards and their consequences during the work process so as to enhance their occupational safety awareness. Under the high–temperature conditions in summer, we will moderately adjust the work intensity and issue subsidies. Depending on the needs of production positions, we will provide employees with necessary safety protection measures and distribute necessary labour supplies in accordance with national regulations on labour safety and health. In addition, the Company provides annual occupational health examinations to technicians and production personnel, provides non-occupational health examinations to other employees, and organizes employees to participate in online and offline safety training.

Safety Training and Fire Drills

The Group has formulated and implemented policies to ensure employee safety, actively conducting safety training and fire drill activities, which include:

Safety Training and Fire Drill

- Fire safety training and drills;
- Typical accident and emergency rescue case training;
- National safety laws and regulations training;
- Confined space knowledge training in special operations; and
- Summer heatstroke prevention safety knowledge training.

Policies to Safeguard the Safety of Employees

- Establish safety procedure for the work that identified as hazardous;
- Provide and ensure a hygienic and safe office and working environment, machinery and equipment are regularly inspected;
- Establish emergency procedures in case of an emergency such as a fire or explosion; and
- Establish a mechanism to record and analyze the occurrence and causes of work-related accidents.

TALENT DEVELOPMENT AND TRAINING

The Group deeply understands the central role of employee training and development in driving business growth. We continually invest in our employees' professional growth and skills enhancement, believing it to be key to achieving the group's long-term success. In order to enhance the growth of employees, we provide various forms of on-the-job and off-job training. During the Reporting Period, we conducted several special trainings, including induction training for new employees, fire drills, three-level safety education and training for new employees, safety production management and production technology knowledge training, post-knowledge training, and safety education for management staff. During the Reporting Period, the training data within the reporting scope by gender and employee category is as follows:

Employee Training Data	Unit	2025	2024
Percentage of Employees Trained			
By Gender			
Male	Percentage	100	100
Female	Percentage	100	100
By Employee Category			
Senior Management	Percentage	100	100
Middle Management	Percentage	100	100
Other	Percentage	100	100
Average Training Hours Completed Per Employee			
By Gender			
Male	Hour(s)	8	8
Female	Hour(s)	8	8
By Employee Category			
Senior Management	Hour(s)	8	8
Middle Management	Hour(s)	8	8
Other	Hour(s)	8	8

LABOUR STANDARDS

The Group has a zero-tolerance policy for any form of child labour and forced labour, ensuring that all business activities comply with human rights legislation, demonstrating our firm commitment to business ethics. The Group strictly adheres to legal requirements to prevent the use of child or forced labour in our business operations, including but not limited to the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

For the Human Resources Department, particularly those in charge of recruitment, we conduct training on the prevention of child labour and forced labour and establish measures to avoid the employment of illegal labour. The Human Resources Department has effective procedures in place to verify the age of any candidate before hiring. The Human Resources Department check documents that can prove the applicant's age, including government-issued photo ID, birth certificate, driver's license, household registration booklet, academic certificate or any other valid documents that can prove the date of birth and ensure the photo on the ID card matches the applicant's appearance.

If any child labour or forced labour under the legal minimum age of employment is found in the Group, we proceed from the perspective that best suits their interests and take the following measures in accordance with the requirements of relevant laws:

1. Remove the employee from the workplace to ensure the safety of the employee;

2. Immediate notify the Human Resources Department to verify all relevant information, confirm whether the employee is child labour or forced labour and terminate the employment contract;

3. If the employee is a child labour, we will notify the local social welfare agency and take remedial measures to protect the interests to the greatest extent;

4. Send the employee to occupational labour health inspection institutions for body check on the physical and mental health;

5. Conduct investigations and visits to fully understand their situation; and

6. Immediately identify problems with the recruitment procedure and take measures for improvement.

COMMUNITY INVESTMENT

The Company firmly believes that proactive community investment is essential for establishing positive relations between the corporation and society and for fostering mutual prosperity. We are dedicated to supporting public services such as healthcare, education, and poverty alleviation, thereby fulfilling our corporate citizenship responsibilities and achieving sustainable social impact. We also encouraged employees to participate in voluntary projects and/or community services. The Group has adopted relevant policies to meet such commitments.

During the Reporting Period, the Group actively fulfilled its social responsibilities and continued to give back to the local community. The total external donations for the year amounted to RMB411,000, and the major donation projects included education funds, Double Ninth Festival donations, and "Chunfeng Action" public welfare donations. Looking forward, the Group will make full use of its business advantages to contribute the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING CODE CONTENT INDEX

Subject area	Content	Chapter/Disclosure
Mandatory Disclosure Requirement		
Governance Structure	A Statement from the board containing the following elements: (I) disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's business); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's business.	Sustainability Governance
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles (materiality, quantitative, and consistency) in the preparation of the ESG Report.	About the Report – Reporting Principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	About the Report – Reporting Period and Scope
A. Environmental Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operation

Subject area	Content	Chapter/Disclosure
KPI A1.1	The types of emissions and respective emissions data.	Emission Management – Air and Greenhouse Gas ("GHG") Emission
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Emission Management – Air and Greenhouse Gas ("GHG") Emission
KPI A1.3	Total hazardous waste produced (tonnes) and where appropriate, intensity.	Emission Management – Hazardous and Non-hazardous Waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Emission Management – Hazardous and Non-hazardous Waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emission Management – Air and Greenhouse Gas ("GHG") Emission
KPI 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.	Emission Management – Hazardous and Non-hazardous Waste
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Effective Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Effective Use of Resources – Energy Efficiency
KPI A2.2	Water consumption in total and intensity.	Effective Use of Resources – Water Resource Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Effective Use of Resources – Energy Efficiency

Subject area	Content	Chapter/Disclosure
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s), and steps taken to achieve them.	Effective Use of Resources – Water Resource Management
KPI A2.5	Total packing material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Effective Use of Resources – Reduce Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Cherish Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Relationship
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	

Subject area	Content	Chapter/Disclosure
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	
Aspect B3: Development and Training		
General Disclosure	Policy on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category.	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

Subject area	Content	Chapter/Disclosure
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Supplier Screening and Evaluation
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Supplier Screening and Evaluation
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Supplier Evaluation Procedure
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Quality Management
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Compliant Management

Subject area	Content	Chapter/Disclosure
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Advertisement, Labelling and Intellectual Property Right
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Privacy Protection
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Integrity and Compliance
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution.	
KPI B8.2	Resources contributed to the focus area.	

Climate-related Disclosures Content Index

This content index is prepared in accordance with the ESG Code of the Stock Exchange and IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB).

Subject Areas, Aspects, General Disclosure and KPI		Section/Disclosure
Governance		
19(a)(i) – (iv)	Disclosure of the governance body's (e.g. the Board) oversight of climate-related risks and opportunities, including the skills and competencies of members, the frequency of being informed, the decision-making process, and the oversight of metrics and targets.	Sustainability Governance In formulating remuneration policies, the Group has not yet linked climate-related performance to remuneration incentive mechanisms.
19(b)(i) – (ii)	Disclosure of management's role in monitoring and managing climate-related risks and opportunities, including whether the role is delegated to a specific position and the related control procedures.	Sustainability Governance In formulating remuneration policies, the Group has not yet linked climate-related performance to remuneration incentive mechanisms.
Strategy		
20(a) – (d)	Description of climate-related risks and opportunities that could affect the financial position, including the types of risks (physical/ transition risks), the time horizons affected (short, medium or long term) and their definitions.	Combating Climate Change Regarding the relevant climate-related opportunities in each period, we will regularly assess whether the relevant information meets the requirements for exemption, and will conduct further discussions in subsequent reports where feasible.
21(a) – (b)	Description of the current and anticipated effects of climate-related risks and opportunities on the business model and value chain, and the concentrations of these risks within the value chain.	Combating Climate Change Regarding the relevant climate-related opportunities in each period, we will regularly assess whether the relevant information meets the requirements for exemption, and will conduct further discussions in subsequent reports where feasible.

Subject Areas, Aspects, General Disclosure and KPI		Section/Disclosure
22(a) – (b); 23	Disclosure of responses and plans for climate-related risks and opportunities, including resource allocation, transition plans, adaptation/mitigation measures, and how resources are deployed; Disclosure of the progress of plans disclosed in previous years' reports.	Combating Climate Change We are still undergoing further internal discussions regarding climate-related transition plans, and will conduct further discussions in subsequent reports where feasible. Regarding relevant climate-related opportunities, we will regularly assess whether the relevant information meets the requirements for exemption, and will conduct further discussions in subsequent reports where feasible.
24(a) – (b)	Disclosure of the current effects of climate-related factors on financial performance during the reporting period, and items that may face material adjustments in the next year.	The Group is still undergoing further financial analysis and internal discussions, and plans to disclose the financial effects of current climate-related risks and opportunities in future reports where feasible.
25(a) – (c)	Disclosure of the anticipated effects of climate-related risks and opportunities on financial position and cash flows over the short, medium and long term, including investment/financing plans and others.	The Group is still undergoing further financial analysis and internal discussions, and plans to disclose the financial effects of current climate-related risks and opportunities in future reports where feasible.
26(a) – (b)	Disclosure of climate resilience analysis, explaining how scenario analysis is used to assess resilience, including the chosen scenarios, assumptions, time horizons, and the capacity to respond.	Combating Climate Change Regarding relevant climate-related opportunities, we will regularly assess whether the relevant information meets the requirements for exemption, and will conduct further discussions in subsequent reports where feasible.

Subject Areas, Aspects, General Disclosure and KPI		Section/Disclosure
Risk Management		
27(a) – (c)	Disclosure of the processes for identifying, assessing, prioritising and monitoring risks and opportunities, and how these processes are integrated into the overall risk management system.	Combating Climate Change
Metrics and Targets		
28(a) – (c)	Disclosure of absolute gross greenhouse gas emissions (in metric tons of CO_2 equivalent), listing data for Scope 1, Scope 2, and Scope 3 separately.	Air and Greenhouse Gas ("GHG") Emission Regarding the disclosure of Scope 3, the Group is still undergoing further internal discussions and plans to disclose in future reports where feasible.
29(a) – (d)	Disclosure of the measurement approach, assumptions, basis for selecting categories for greenhouse gases, and the measurement method for Scope 2.	Air and Greenhouse Gas ("GHG") Emission
30	Disclosure of the amount and percentage of assets or business activities vulnerable to transition risks.	The Group is currently reviewing market analyses and quantitative methodologies to disclose the percentage of business vulnerable to transition risks.
31	Disclosure of the amount and percentage of assets or business activities vulnerable to physical risks.	The Group is collecting additional data and information (e.g., financial impact, mitigation measures, and residual risks) to disclose the percentage of business vulnerable to physical risks.
32	Disclosure of the amount and percentage of assets or business activities aligned with climate-related opportunities.	The Group is currently reviewing more detailed analysis and quantitative methodologies available in the market to disclose the percentage of business aligned with climate-related opportunities.
33	Disclosure of the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	The Group is currently reviewing more detailed analysis and quantitative methodologies available in the market to disclose the amount of capital expenditure, financing, or investment aligned with climate-related opportunities.

Subject Areas, Aspects, General Disclosure and KPI		Section/Disclosure
34(a) – (b)	Explanation of whether and how internal carbon pricing is applied, and disclosure of the specific carbon price.	The Group currently does not apply carbon pricing in decision-making.
35	Explanation of whether and how climate-related performance is factored into the remuneration policy.	In formulating remuneration policies, the Group has not yet linked climate-related performance to remuneration incentive mechanisms.
36	Encouragement to disclose industry-based metrics related to specific business models or industry characteristics.	Not applicable
37(a) – (h)	Disclosure of climate-related targets and their details: metrics, objectives, scope, period, base period, milestones, absolute/intensity values, and reference to international agreements.	Air and Greenhouse Gas ("GHG") Emission
38(a) – (d)	Disclosure of the approach to setting and reviewing targets, including whether they are validated by a third party, the review process, and revision records.	Sustainability Governance Air and Greenhouse Gas ("GHG") Emission
39	Disclosure of actual performance relative to targets and trend analysis.	Air and Greenhouse Gas ("GHG") Emission
40(a) – (e)	Disclosure of additional details for GHG emissions targets: gases and scopes covered, gross/net targets, decarbonisation pathways, and use of carbon credits.	Air and Greenhouse Gas ("GHG") Emission
41	Consideration of the applicability of cross-industry and industry-based metrics when preparing disclosures related to strategy and targets.	Not applicable

DIWANG INDUSTRIAL HOLDINGS LIMITED
帝王實業控股有限公司