2025

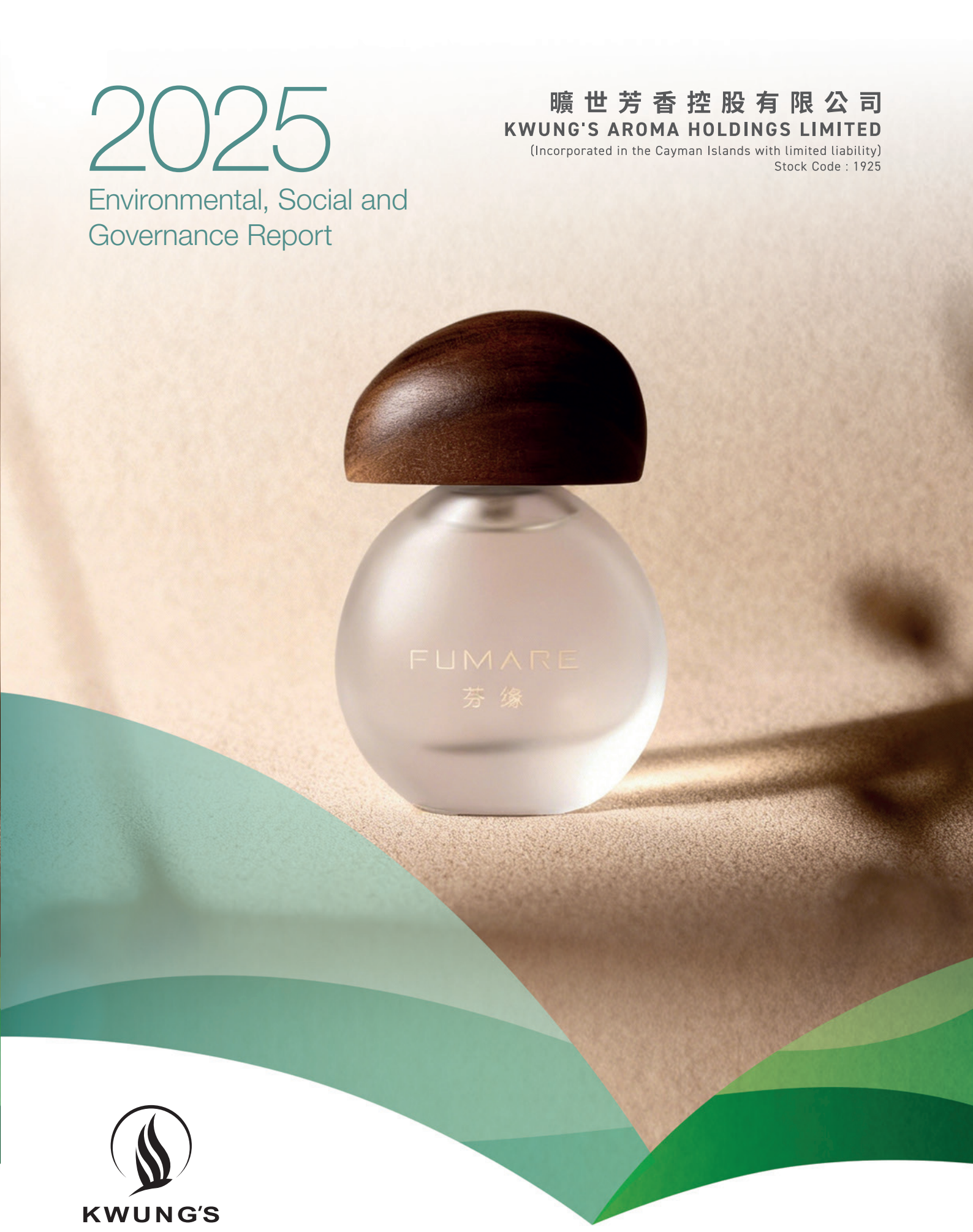
Environmental, Social and Governance Report

曠世芳香控股有限公司

KWUNG'S AROMA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1925



KWUNG'S

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

Kwung's Aroma Holdings Limited (formerly known as Kwung's Holdings Limited) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") is an original design manufacturer and supplier of home decoration products including home fragrance and home accessories. The Group has obtained the prestigious status of "High and New Technology Enterprise" and "National Cultural Export Key Enterprise" in 2020 in the People's Republic of China (the "**PRC**") in recognition of its research and development strengths and the quality and cultural elements of its products. The Group values cultural creativity, product innovation and technology research and development. The Group also adheres to the core values of creating benefits for its shareholders, seeking benefits for employees, as well as taking responsibility for society. The Group is committed to the long-term sustainability of its business, as well as protecting the environment and contributing to the communities in which it operates.

To summarize its sustainability performance during the year to internal and external stakeholders, the Group is pleased to present the Environmental, Social and Governance ("**ESG**") Report. The report details the Group's policies and practices in it operations with direct operational control in regards to its environmental and social performance for the year ended 31 December 2025 ("**the Year 2025**").

This report has been prepared in accordance to the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**ESG Guide**"). The Group has strictly complied with requirements of the ESG Guide during the Year 2025.

For the preparation of this report, the Group has adopted the reporting principles set out in the ESG Guide. The Group conducted a materiality assessment to identify material ESG matters, and focused on these identified material ESG matters when preparing this report. The standards and methods used to calculate the key performance indicators ("**KPIs**") data in this report, as well as the applicable assumptions, are provided in the notes. Unless otherwise stated, the preparation approach of this report is consistent with the year as at 31 December 2024 ("**Year 2024**") for comparison. Where there is any change in the scope of disclosure and calculation methods, which may affect the comparison with previous reports, explanations will be provided for the relevant data.

ESG Governance

The board (the "**Board**") of directors (the "**Directors**") of the Company is responsible for overseeing ESG issues, through regular meetings with the management, it assesses the potential impact of the ESG topics on the Group's overall operation, formulates related management directions and strategies, and monitors the Group's ESG issues and target progress.

Stakeholder Engagement

Stakeholder engagement plays a core in the Group's sustainability strategy. The Group maintains regular dialogue with its internal and external stakeholders, including shareholders, customers, employees, suppliers, regulatory authorities, as well as the general public. Through regular communication using online and offline communication channels, the Group seeks to incorporate the views, interests and concerns from different perspectives to help the Group maintain long-term business prosperity and to ensure stakeholder expectations can be met. A summary of the Group's stakeholder engagement approach is presented in the table below:

Stakeholders	Expectations	Communication Channels
Shareholders	• Positive financial performance • Transparency of corporate governance • Sound risk control	• Annual General Meeting (AGM) • Financial Reports • Meetings
Governments and Regulatory Bodies	• Compliance with laws and regulations • Tax payment in accordance with applicable laws and regulations	• Meetings • Financial Reports
Employees	• Career development • Competitive salary and benefits • Safe working environment	• Staff performance appraisal • Internal publications
Customers	• Smooth logistics and good delivery service standards • Security of privacy • Protection of customer rights and interest	• Email • Meetings • Interviews
Suppliers	• Business integrity • Ethics and credibility	• Email • Meetings • Interviews
General Public	• Environmental protection • Employment opportunity • Community contribution	• Financial Reports • Announcements

Materiality Assessment

The Group has performed a materiality assessment with its stakeholders to identify priority topics that are considered material to having significant impacts towards the operational, environmental and social aspects of the Group's operations. The materiality assessment consisted of a series of interviews and surveys with internal and external stakeholders, based on which the Company identified 21 priority ESG topics covering environment, training and development, occupational health and safety, supply chain labour standards, corporate governance, customer privacy, anti– corruption and community investments.

Priority ESG Issues Identified from Stakeholder Engagement		
Environmental Issues	**Social Issues**	**Operating Issues**
• Greenhouse gas ("**GHG**") emissions • Energy consumption • Water consumption • Waste • Energy Conservation Measures • Use of raw materials and packaging standards • Compliance with laws and regulations related to environmental protection	• Local community engagement • Community investment • Occupational health and safety • Labour standards in supply chain • Training and development • Employee welfare • Inclusion and equal opportunities • Talent attraction and retention	• Economic value generated • Corporate governance • Anti-corruption • Supply chain management • Customer satisfaction • Customer privacy

Stakeholder Feedback

Stakeholders' valuable feedback can help us continuously improve with respect to our ESG strategy and performance. If you have any questions or comments regarding the contents of this report, please contact us through one of our communication channels.

Environmental Protection

One of the core values of the Group is to conserve the environment whilst performing its business activities. The Group's environmental policy emphasises both impact management and efficient utilization of resources, including the application of technology to help reduce its environmental impacts. The Group's environmental management strategy centralizes around the key pillars of waste management, energy efficiency enhancement, and GHG emissions reduction.

Over the years, the Group has introduced energy-efficient equipment and introduced streamlined operation processes to reduce the consumption of resources, enhance resource utilization efficiency and the Group has strived to minimize environmental impact.

Impact Awareness

As part of the Group's Management Policy, the Group is committed to remain aware of environmental impacts associated with its operations, identifying impacts using a comprehensive lifecycle assessment approach perspective.

When determining which environmental factors are impacted by the Group's operations, the analysis should cover all changes resulting from the Group's developments, activities, products and services, in addition to potential accidental events and emergency situations that may arise. The Group's Technical Team performs an annual assessment of our environmental performance with reference to 8 criteria covering resource consumption, waste generation, and emissions. Scores are assigned to each category to support the identification of priority issues.

The Group has issued various internal procedures to address the management of issues related to its environmental performance, including "Water, Air and Noise Pollution Control Procedure" (水、大氣、噪音污染防護控制程序), "Control of Environmental Factors Procedure" (環境因素控制程序), "Energy & Resource Management Procedure" (能源、資源控制程序) and "Waste Control Procedure" (廢棄物控制程序). For example, regarding the management of waste disposal procedures, the Group has invested into the purchase of equipment that is better-suited for complying with national environmental regulations, and performed environmental assessments to address the environmental impacts associated with its operations. Environmental risks and opportunities are identified and communicated throughout the Group to maintain awareness.

Climate Change Response

The risks and challenges posed by climate change for the global economy continue to escalate and may also negatively impact the Group's operations. Therefore, the Group recognizes the importance of identifying and mitigating any significant impacts arising from climate change. The Group has established a dedicated Climate Management Task Force to prioritize the significant impacts that climate issues may have on the Group's business operations, thereby evaluating and developing effective mitigation strategies.

Strategy

The Group is committed to enhancing its business resilience against climate change and building itself as an environmentally responsible enterprise. The Group has refined its risk assessment procedures to analyze the potential impacts of climate change on its operations and value chain, thereby evaluating and formulating the most appropriate mitigation measures.

(i) Climate Risk Assessment

During the reporting period, the Group assessed the following physical climate risks and transition climate risks. Our assessment covers the offices and production bases of Kwung's Aroma Holdings Limited in China, Vietnam and other regions.

Physical Risks

We define physical risks as risks related to the physical impacts of climate change, including (i) acute physical risks, such as increased severity of typhoons or floods; and (ii) chronic physical risks influenced by long-term changes in climate patterns (e.g., changes in average annual rainfall or temperature). The above acute and chronic physical risks may increase the risk of power shortages, disrupt supply chains, damage the Group's assets and cause operational interruptions and reduce revenue. Furthermore, both physical risks may increase costs for repairing or restoring damaged sites, hinder employee work, and even cause casualties.

The Group focused its assessment on the following physical climate risks, including:

- Frequent extreme weather events (e.g., heavy rainfall, extreme heat, intense cyclones, floods, droughts and water scarcity) that could adversely affect or pose potential risks to the construction and operation of the Group's projects.

- Long-term changes in climate patterns that could constitute chronic climate risks for the Group, such as sea level rise or prolonged heatwaves caused by sustained high temperatures.

Transition Risks

We define transition risks as the risks arising from the transition from the economy dependent on fossil fuel to a low-carbon economy, which may involve changes in policy, law, technology, markets and social culture. To achieve sustainable development, governments have successively enacted climate-related legislation or tightened regulations to support the global decarbonization vision. For example, the PRC government has recently promoted the goal to achieve "carbon peak by 2030, carbon neutrality by 2060", striving to improve the dual control system of energy consumption, including possible carbon taxes, compliance disclosures, and increased use of new energy by enterprises and households.

The Group focused its assessment on the following transition climate risks, including:

- The complex ways in which climate change affects markets, such as altering the supply and demand of certain commodities, products and services.

- Changes in domestic and international climate change policies, as well as the evolution of global trends such as China's carbon peak and carbon neutrality targets, constituting relevant risk factors.

(ii) Climate Scenario Analysis

During the reporting period, the Group conducted a climate scenario analysis to better understand and respond to the potential impacts of climate change. The analysis covers physical and transition risks, with screening and assessment performed for each risk category. To better identify and analyze potential physical and transition risks the Group may face, we used the Intergovernmental Panel on Climate Change ("**IPCC**") Shared Socioeconomic Pathways ("**SSPs**") and the Network for Greening the Financial System ("**NGFS**") climate scenarios. This approach helps us better understand the resilience of our climate strategy and the potential impacts on core operations under climate variability, thereby enhancing our capacity to respond to climate change.

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; global CO2 emissions reach net zero around 2050. Renewables dominate, and electrification is widespread. • Large-scale afforestation. • Rapid development and deployment of low-carbon technologies including storage, hydrogen, and carbon capture and storage. • Global cooperation and strict effective climate policies, with consumer behavior shifting to low-carbon choices.	• Continued reliance on abundant, globally connected fossil fuel resources. • Technological innovation active but focused on extraction and consumption efficiency rather than low-carbon alternatives. • Lack of effective global carbon pricing or strict international climate agreements. • Global income gaps narrow and investment in human capital increases.
Projected warming	Warming below 2°C by 2100	Warming of 4.4°C by 2100

Transition risks		
Climate scenario	Low-risk scenario	High-risk scenario
	2050 Net Zero	Current Policies
Scenario description	• Immediate implementation of strict climate policies, with global CO2 emissions reaching net zero around 2050. • Carbon pricing reached high levels early (about USD 100 per tCO2e in 2020) and continues to rise rapidly, increasing costs for carbon-intensive goods and services and changing consumption and production patterns. • Deployment of carbon dioxide removal (CDR) technologies accelerates decarbonization, though scale is constrained by sustainability considerations.	• Maintain existing policies without additional emission pledges or measures. • Technological change is slow; fossil fuels still dominate the energy system. Renewables grow but do not disrupt the existing system. • Carbon pricing remains low and is insufficient to drive deep decarbonization.
Projected warming	Global warming contained below 1.5°C by 2100 (50% probability).	Warming exceeds 3°C by 2080.

We used these climate scenarios to assess the potential impacts of climate risks on the Group's production and operations, the severity of those risks, and how they link to strategic planning. The potential climate-related risks the Group faces are listed below.

Physical risks					
Risk category	Potential impacts	Risk level		Time horizon[1]	Mitigation measures
		SSP1-1.9	SSP5-8.5		
Frequent extreme weather events (e.g., heavy rain, extreme heat, severe cyclones, floods, droughts, and water shortages) may adversely affect or pose potential risks to the Group's facilities and events.	Production interruption caused by extreme weather may affect infrastructure such as power systems, drainage systems or production equipment, together with associated repair losses.	Low	Medium	Short-term	• The Group has formulated emergency arrangements and closely monitors our business operations. • Purchase insurance for the Group's production facilities and employees. • Communicate work arrangements to employees in advance under severe weather conditions to reduce the possible impact of physical risks. • The Group will identify such risks and prioritize those with severe impacts to take preventive measures at the earliest opportunity.
	Increased extreme weather may directly affect the operation of warehouses and production bases, e.g., spices being flooded and damaged, leading to increased costs.	Low	Medium	Medium-term	
	Impact of extreme weather on logistics supply chains, production efficiency and employee commuting, leading to operational and financial losses.	Low	Medium	Medium-term	
Long term changes in climate patterns could constitute chronic climate risks for the Group, such as sea level rise or prolonged heatwaves caused by sustained high temperatures.	Long-term systematic temperature rise will increase the demand for temperature control (e.g., for spice storage) and energy consumption, potentially leading to higher operating costs, accelerating the ageing of production equipment, and pushing up maintenance costs.	Low	Medium	Medium-term	
	High-temperature environments may expose employees to greater heat stress and health hazards, potentially affecting productivity and overall employee well-being.	Low	Medium	Short-term	
	Climate change may alter the living habits of consumers in different regions, affecting product preferences and choices.	Low	Medium	Long-term	
	Occurrence of long-term climate risk events leads to reduced insurance claims.	Low	Medium	Medium-term	

1 The time horizons are defined based on the periods during which climate-related risks may impact the Group's operations. The short term is defined as 1 to 3 years, the medium term as 3 to 5 years, and the long term as 5 to 10 years. These selected timeframes are widely adopted within the industry and align with our short-to-medium-term carbon reduction targets and initiatives.

Transition Risks					
Risk Category	Potential Impact	Risk Level		Time Horizon	Mitigation Strategy
		Net Zero 2050	Current Policies		
The complex ways in which climate change affects markets, such as altering the supply and demand of certain commodities, products and services.	In the future, due to stricter carbon emission regulations, production equipment with high energy consumption may be subject to additional taxation or use restrictions, increasing R&D costs.	Medium	Low	Medium-term	• The Group actively introduces new environmentally friendly equipment and gradually phases out high-energy-consumption facilities in line with national new energy policies. • The Group will regularly monitor existing and emerging climate-related trends, policies and regulations, and obtain compliance advisory services when necessary to avoid reputational risks arising from slow response. • The Group continues to assess the effectiveness of its climate change actions and enhance its capacity to address climate-related matters. • Encourage employees to participate in meetings and training to stay abreast of the latest technological developments.
	As energy transition and tighter regulations on chemical composition occur, prices of some spice raw materials may rise due to increased decarbonization costs of upstream suppliers.	Medium	Low	Long-term	
	The Group's products may need to adapt to various demands raised by potential customers regarding climate-related issues.	Low	Low	Medium-term	
Changes in domestic and international climate-change policies, as well as the evolution of global trends such as China's Carbon Peak and Carbon Neutrality targets, constitute relevant risk factors.	Tightening of relevant policies and/or regulations leads to increased costs of compliance, including but not limited to increased operating costs, insurance costs, compliance costs and penalties for non-compliance.	Medium	Low	Medium-term	
	Stricter disclosure requirements for environmental data, and customers conducting carbon footprint audits on partners, thereby increasing management complexity.	Medium	Low	Medium-term	

Although the Group notes the many challenges described above, it is also mindful of the opportunities presented by climate change. Market demand for low-emission products may bring business opportunities. The Group is committed to seizing emerging business opportunities, keeping pace with the times, and pursuing developmental opportunities.

(iii) Business Model and Value Chain

Climate-related Risk	Current Impact	Expected Impact
Frequent extreme weather events (e.g. heavy rainfall, extreme heat, intense cyclones, floods, drought and water scarcity) that could adversely affect or pose potential risks to the construction and operation of the Group's projects.	Persistent extreme heat and heatwaves will pose challenges to the Group's operations in China and Vietnam. Extreme heat may lead to a sharp rise in energy demand, further burdening infrastructure. Heavy rainfall may trigger unpredictable flash floods, damage our infrastructure and affect Group operations.	Increased severity of extreme weather events may endanger the Group's property and equipment investments. Acute floods may cause power failures, rendering our production lines inoperable and resulting in the loss of critical production batches.
Long-term changes in climate patterns could constitute chronic climate risks for the Group, such as sea level rise or prolonged heatwaves caused by sustained high temperatures.	The Group's current office and production base operations require water resources. Long-term temperature rise will increase water usage.	Continued temperature rise will require the Group's cooling systems to pay higher energy bills, potentially increasing the Group's operating expenses and R&D expenditure.
The complex ways in which climate change affects markets, such as altering the supply and demand of certain commodities, products and services.	The Group's suppliers may pass on the cost of low-carbon transition to raw material prices. At the same time, market attention to "sustainable R&D" has increased, affecting institutional investors' valuation of the company.	As the global economy transitions to low carbon, market demand for low-carbon emission processes may increase. In addition, climate change may alter consumer habits, affecting the Group's products and market positioning.
Changes in domestic and international climate change policies, as well as the evolution of global trends such as China's carbon peak and carbon neutrality targets, constitute relevant risk factors.	The Group currently needs to invest additional resources to comply with tightened climate change-related policies and/or regulations.	More resources will need to be invested to comply with relevant policies and/or regulations.

(iv) Strategy and Decision-making

The Group recognizes the importance of identifying and mitigating any material impact of climate change and has incorporated climate-related risk analysis into its core risk appetite setting to address identified climate risks. In terms of current and expected changes to the business model and resource allocation, the Group has actively aligned itself with national new energy policy development, gradually phasing out old high-energy-consumption equipment and introducing new environmentally friendly facilities.

Regarding current and expected mitigation efforts, the Group is committed to reducing greenhouse gas emissions and energy consumption and contributing to the transition to a low-carbon economy. We adhere to the "3R" environmental policy in our business operations, i.e., minimize waste, reuse resources, and recycle waste materials. We have established a paperless working environment, requiring the use of electronic documents instead of paper documents to reduce paper waste, and implemented policies on waste management. At the same time, the Group has established comprehensive adaptation measures for physical risks, including implementing "emergency plans" and work arrangements for employees under severe weather conditions to ensure continuity of operations. We also purchase insurance for production facilities and employees, and take preventive measures by prioritizing risks with severe impacts.

Furthermore, the Group recognizes that human resources are the foundation of business development and therefore provides climate-related occupational health and safety training to R&D personnel on a regular basis, enhancing their ability to cope with operational interruptions caused by extreme weather. The Group will continuously monitor emerging climate-related trends, policies and regulations, and obtain professional compliance advisory services when necessary to avoid reputational risks arising from slow response. By continuously evaluating the effectiveness of climate actions and enhancing its response capabilities, the Group is committed to achieving sustainable development in a challenging climate environment.

Risk Management

The Group has integrated climate-related considerations into its daily operations and the Group's enterprise risk management system. The Board of Directors bears overall responsibility for the Group's ESG matters and related reporting, while management is responsible for addressing sustainability-related (including climate-related) risks and opportunities. We continuously monitor these risks to ensure they are incorporated into the Group's development, business decisions and approval processes. The Group will ensure that the offices and production bases it owns or operates meet the compliance standards required by applicable environmental laws and regulations. The Group attaches great importance to relationships with stakeholders and their feedback on our business and ESG matters and expects to actively balance the interests of all parties to promote corporate sustainability.

Metrics and Targets

During the reporting period, the Group's total greenhouse gas emissions (Scope 1, 2 and 3) were approximately 3,845 tonnes of CO_2 equivalent (2024: approximately 4,054 tonnes of CO_2 equivalent), and the greenhouse gas emission intensity was approximately 0.015 tonnes of CO_2 equivalent per tonne of production (2024: approximately 0.006 tonnes of CO_2 equivalent per tonne of production). The total greenhouse gas (GHG) emissions decreased, primarily due to a decline in total production volume compared to the previous year. However, the GHG emissions intensity increased, which was attributed to the commencement of operations at the Vietnam plant and the subsequent increase in production capacity.

The breakdown of greenhouse gas emission performance during the reporting period is set out in the "Environmental Performance Summary" section of this report.

Use of Resources

The Group's operations consume significant quantities of electricity, fossil fuels and water. It is the Group's goal to drive continuous improvements for its resource consumption efficiency.

Fossil Fuels

The Group consumes petrol and diesel for the operation of company vehicles. To minimize fuel consumption, the Group maintains only an essential fleet of corporate vehicles for operation and forklifts required for production and logistics, while ensuring their usage is kept to a minimum. During the Year 2025, the Group consumed 14,084 litres of petrol and 6,600 litres of diesel. Due to the increase in forklift loading of containers, energy consumption has risen compared to the previous year.

Water

The Group consumes water as part of operations and actively promotes water conservation practices to its employees. Recycling of water is also performed at the Group's facilities to allow for efficient consumption of valuable water resources. This includes rainwater capture and use of seawater where possible. During the Year 2025, the Group's total water consumption is 58,060 m^3. The year-on-year increase in water consumption is attributable to the commencement of operations at the new factory in Vietnam, coupled with the commissioning of a volatile liquid production line in Anhui factory in China, which possesses a higher water intensity compared to the candle production lines. During the Year 2025, the Group did not encounter any issues in sourcing water for its operations.

Packaging Materials

Operating a manufacturing business, packaging materials is consumed as part of the Group's daily operations. The main types of packing materials consumed by the Group include paper boxes, glass, plastics and ceramic. A summary of packaging materials consumed during the Year 2025 is presented below:

Packaging Material	**2025 Amount Used (tonnes)**	2024 Amount Used (tonnes)
Paper boxes	**818.0**	660.7
Glass	**293.0**	366.1
Plastics	**9.3**	15.1
Ceramic (Accessories)	**325.5**	–

It is part of the Group's policy to adopt product packaging standards that are designed to avoid waste of resources and environmental pollution caused by excessive packaging. The Group strictly adheres to relevant national packaging standards, laws and regulations. The Group also does not design, produce, buy, or sell products with excessive packaging. Recyclable packaging materials are recycled as much as possible to improve their recycling rate.

Electricity

During the Year 2025, the Group's total electricity consumption is 6,423,426 kWh. The Group has targeted to reduce energy consumption by 5% by year 2030.

With electricity being a significant contributor to the Group's energy consumption and GHG emissions, the Group has enforced a number of initiatives to reduce its electricity consumption:

- Light Conservation – Lighting fixtures at the Group's sites are tuned off outside of office hours and security patrols are set up to enforce the policy.

- Air-conditioner Control – The air conditioners at the Group's offices are configured at a set point of 26 degrees Celsius and 22 degrees Celsius for summer and winter respectively with the objective of reducing their usage. In addition, air conditioners are switched off when offices are unoccupied.

- Use of Energy Efficient Equipment – The Group continuously seeks opportunities to enhance the operational efficiency of its electrical equipment, including the adoption of equipment with new technologies. Energy-efficiency is incorporated into the decision-making process during the procurement of electrical equipment, where equipment or components with energy-saving labels are preferred.

- Use of Renewable Energy – The Group is actively using renewable energy in its daily operations to reduce its carbon footprint. For example, the Group is using photovoltaics at its Binhai operations to reduce the amount of electricity used for daily lighting.

During the Year 2025, the Group was not involved with any violations associated with use of resources. No significant issues were identified regarding resource utilisation which may have material impact on the Group's operations.

Emissions

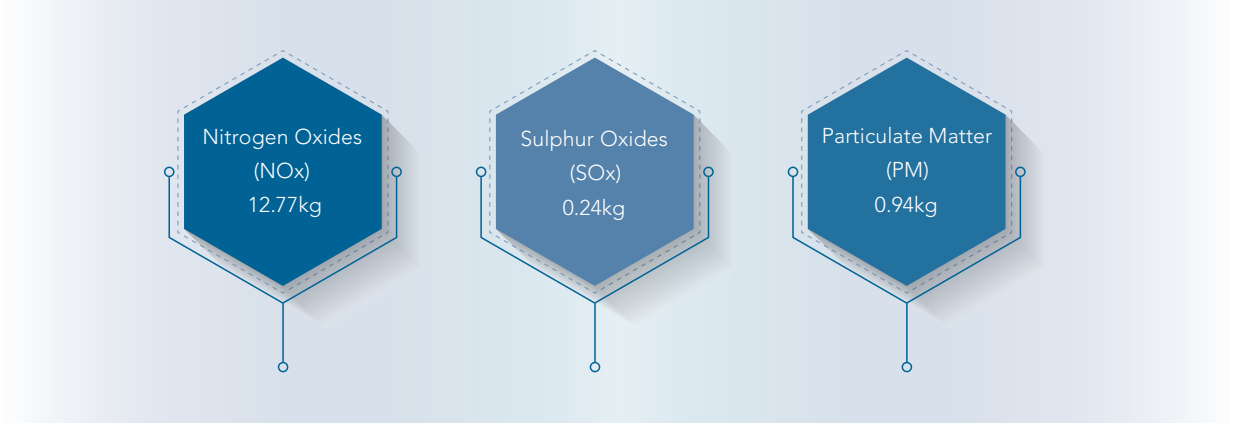
GHG Emissions

The Group's sources of GHG emission from its operations originate from its electricity usage and petrol consumption. Electricity consumption is mainly related to the production facilities of our group. Indirect GHG emissions from business air travel are also material to the Group. The Group encourages its employees to reduce business travel as much as possible and make use of virtual meetings to reduce the need for travelling. Employees are also encouraged to use land transport options such as buses or trains as much as possible.

With the consideration of the amount of water consumed by the Group, indirect emissions associated with the processing of freshwater has also been estimated and included as part of the Group's Scope 3 emissions. The Group's reduction efforts in water consumption is also expected to help reduce associated GHG emissions.

Air Emissions

The combustion of petrol by company vehicles results in the air emissions, namely nitrogen oxides (NOx), sulphur oxides (SOx), and particulate matter (PM). A breakdown of the Group's air emissions during the Year 2025 is presented below:



Waste Generation

The Group endeavours to minimize the quantity of waste generated during manufacturing process. The Group has adopted a set of waste disposal procedures in its production facilities to ensure proper handling of produced waste and has taken measures to control the discharge of gases and wastewater to ensure compliance with relevant environmental standards and regulations.

The Group has invested in the upgrade of equipment to help reduce the waste generated from production and engaged authorized waste collectors for the disposal of waste for disposal, processing, or recycling. This year, the total volume of waste water increased due to the expansion of production scales and the addition of new manufacturing lines at both China and Vietnam.

The main types of hazardous waste generated by the Group include waste paraffins and activated carbon produced from the manufacturing process of the Group's candles and fragrance products.

Non-hazardous generated by the Group are mainly office wastes, factory wastes and packaging waste.

Waste Generation Statistics	**2025 Amount (tonnes)**	2024 Amount (tonnes)
Hazardous Waste		
Paraffin	**39.0**	104.7
Activated carbon	**6.0**	17.7
Other	**0.9**	6.5
Non-hazardous Waste		
Domestic and factory wastes	**1,025**	735
Packaging Waste	**549**	–

Recycling

To drive reductions in waste generated from the Group's manufacturing activities, the Group has incorporated the concept of recycling into its production process. Recyclable raw materials or supplementary materials are used during the manufacturing process of the Group's products, which can help reduce virgin material consumption. The Group's production plants also include the use of equipment and process optimized for the recycling of materials and reducing waste residues produced.

Through active promotion of resource conservation practices amongst the Group's staff, environmental awareness is instilled into the Group's operations.

Compliance with Environmental Regulations

The Group consistently enforces strict measures to ensure compliance with all applicable environmental laws and regulations, including but not limited to:

i) The Environmental Protection Law of the PRC;

ii) The Law of the PRC on the Prevention and Control of Environmental Pollution caused by Solid Wastes (2016);

iii) Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation);

iv) Law on the Prevention and Control of Water Pollution of the PRC; and

v) Law on the Prevention and Control of Air Pollution of the PRC.

The Group is not aware of any material non-compliance with applicable environmental laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the Year 2025.

Environmental Performance Summary

Environmental Performance Summary

Category	Unit	2025	2024
Business Metric			
Production volume	t	**262,719**	666,574
Energy Consumption[1]			
Total Energy Consumption	MWh	**6,673**	6,414
Petrol Consumption	MWh (L)	**128**	118
		(14,084)	(12,132)
Diesel consumption	MWh (L)	**69**	8
		(6,600)	(762)
Natural Gas Consumption	MWh (m^3)	**53**	–
		(5,328)	–
Electricity Consumption	MWh (kWh)	**6,423**	6,288
		(6,423,426)	(6,228,082)
Total Consumption Intensity	MWh/t product	**0.03**	0.01
GHG Emissions[2]			
Total GHG Emissions	t CO_2e	**3,844**	4,054
Scope 1 – Direct Emissions	t CO_2e	**65**	35
Scope 2 – Energy Indirect Emissions	t CO_2e	**3,662**	3,902
Scope 3 – Other Indirect Emissions	t CO_2e	**117**	117.0
Fresh Water Processing	t CO_2e	**7.7**	19.8
Paper Waste Disposed At Landfills	t CO_2e	**12.5**	6.8
Employee Business Travel	t CO_2e	**97.14**	90.35
Total Greenhouse Gas Emissions Intensity	t CO_2e/t product	**0.015**	0.006

Category	Unit	2025	2024
Air Emissions			
Nitrogen Oxides (NOx) Emissions	kg	**12.8**	22.9
Sulphur Oxides (SOx) Emissions	kg	**0.24**	0.19
Particulate Matter Emissions	kg	**0.94**	1.30
Waste Management			
Total Hazardous Waste Produced	t	**45.8**	128.9
Total Non-Hazardous Waste Produced	t	**1,574**	735
Total Hazardous Waste Intensity	kg/t product	**0.2**	0.2
Total Non-Hazardous Waste Intensity	kg/t product	**6.0**	1.1
Use of Resources			
Total Water Consumption	m^3	**58,060**	45,444
Total Water Consumption Intensity	m^3/t product	**0.22**	0.07
Packaging Materials			
Paper Boxes	t	**818.0**	660.7
Glass	t	**293.0**	366.1
Plastics	t	**9.3**	15.1
Ceramic (Accessories)	t	**325.5**	–

Notes:

1. The fluctuation in energy consumption is primarily attributable to the expanded data collection scope following the establishment of new Vietnam factory, as well as the addition of a volatile liquid production line at Anhui factory. To facilitate data comparison, the unit for energy consumption is reported in MWh.

2. GHG calculation method is based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "National Electricity Carbon Footprint Factor" issued by the Ministry of Ecology and Environment of the PRC, the "Global Warming Potential Values" from the IPCC Sixth Assessment Report, 2014 (AR6), "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

    - Scope 1 emissions include direct emissions from operations that are owned or controlled by the Group;
    - Scope 2 emissions include energy indirect emissions associated with generation of purchased energy consumed by the Group, including electricity, heating, cooling and steam;
    - Scope 3 emissions include other indirect emissions that occur within the Group's value chain, including both upstream and downstream emissions.

Environmental Targets

The Group's business production has decreased during the Year 2025, but a new factory in Vietnam and volatile liquid production lines in China were established, along with some increases in resource consumption and emissions figures. The Group's consumption intensity and emission intensity figures have increased as compared to Year 2024. We look forward to continuing our positive progress in reducing our environmental impacts, promoting energy conservation and emission reduction, and lower energy consumption intensity.

The group continues to strive towards its long-term environmental goals.

- Reduce 5% energy and water consumption by 2030
- Reduce 5% carbon emissions and waste generation by 2030

Social

Employment and Labour Practices

Employment

In order to accommodate the Group's rapid business growth, the Group places great importance in human resource management and recruitment of talented team members. To expand the Group's talent attraction coverage, various recruitment channels incorporated into the Group's recruitment strategy, such as recruitment websites, labour markets, recruitment agencies, staff referrals, and campus recruitment. The Group's "Human Resource Management Policy" details specific recruitment procedures to be adopted for each recruitment channel to ensure a systematic process is followed for candidate assessment.

Remuneration

The Group regularly reviews its remuneration and incentives schemes to perform necessary optimizations required to maintain competitive remuneration for employees. Promotion and salaries for employees are determined according to the performance of employees, their experience and current market conditions.

The Group's "Human Resource Management Policy" details the remuneration basis of employees, including factors considered for determining nominal salary and performance bonuses.

Equal Opportunities and Anti-discrimination

The Group values providing equal employment opportunities for all of its employees, regardless of race, gender, ethnicity, and other factors. The Group's employment process adheres to this principle.

Health and Safety

The Group is committed to providing employees with a healthy and safe working environment. Safety guidelines are enforced at the Group's sites to help protect the safety of employees, promote occupational health, and ensure compliance with applicable laws and regulations. Employees are supplemented with safety trainings and drills organized by the Group, in addition to complementary annual health examinations to safeguard the wellbeing of employees.

The Group strictly adheres to the "Fire Protection Law of the PRC", "Law of the PRC on Prevention of Occupational Disease" and "PRC Production Safety Law" for its operations in the PRC, and "Occupational Safety and Health Ordinance" for its Hong Kong operations. During the Year 2025, the Group did not identify any serious violations of relevant laws in the PRC and Hong Kong with regards to occupational hazards and employee safety that have a significant impact on the Group. During the Year 2025, the total lost days in the Group due to work injuries was 420 days. The Group did not have any work-related fatalities in the past 3 years of operations.

Development and Training

The Group believes that continuous development and nurturing of its quality staff is vital for the long-term development of the enterprise, and has established policies to ensure adequate training is provided to its employees. Employees are provided with training and development programs tailored to equip them with necessary skills and knowledge relevant to their positions and functions.

To help foster a harmonious working environment, the Group also promotes work-life balance for its employees and encourages employees to participate in extracurricular activities to help team– building, strengthen their sense of belonging, and enhance employee morale.

The effectiveness of training programmes are assessed by the training participants through feedback forms and surveys, to collect feedback and continuous refinement of the training curriculum to better suit the needs of the Group's employees.

During the Year 2025, the Group's employees received a total of 260 man-hours of training. The average training received per employee was 0.3 hours during the Year 2025. A breakdown of training statistics is presented below:

Training Statistics	2025	2024
Total Training Hours		
Male Employees	**124**	110
Female Employees	**136**	116
Senior Management Staff	**26**	48
Middle Management Staff	**63**	68
Other Employees	**171**	110
Average Training Hours		
Male Employees	**1.0**	0.3
Female Employees	**1.0**	0.6
Senior Management Staff	**2.0**	2.5
Middle Management Staff	**3.0**	2.5
Other Employees	**0.7**	0.2
Percentage Employees Trained		
Male Employees	**46%**	25%
Female Employees	**54%**	72%
Senior Management Staff	**5%**	74%
Middle Management Staff	**8%**	100%
Other Employees	**87%**	36%

In addition to training courses, the Group also adopts a mentoring system for new employees, to help streamline the staff orientation process and reduce the time needed to adapt to their job position. In order to be selected as a mentor, employees are required to demonstrate outstanding work performance, to serve as a role model for new employees.

Operational Practices

The Group highly values the importance of safety, quality and environmental control, and has formulated and implemented a comprehensive management system. The Group has obtained certifications in ISO 9001: 2015 (Quality Management System) and ISO 14001: 2015 (Environmental Management System).

Labour Standards

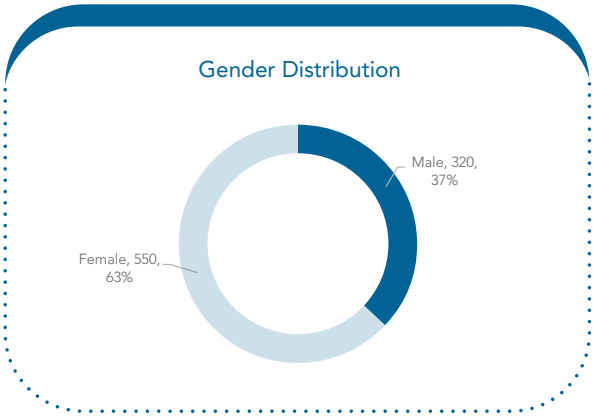
The Group strictly complies with the labour standards in the local jurisdictions of its operations, including but not limited to: "Labour Law of the PRC", "Social Insurance Law of the PRC", "Labour Contract Law of the PRC", "Provisions and Prohibition of Using Child Labour", "Law of the PRC on the Protection of Minors" in addition to "Hong Kong Employment Ordinance" and "Hong Kong Employee Compensation Ordinance".

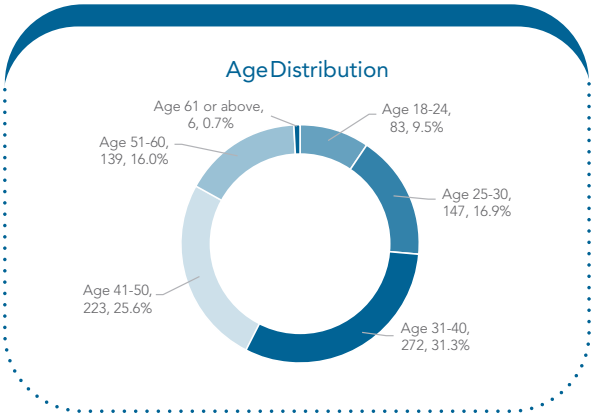
The Group conducts recruitment in using an open process and performs thorough background checks of candidates to ensure only qualified personnel can be hired.

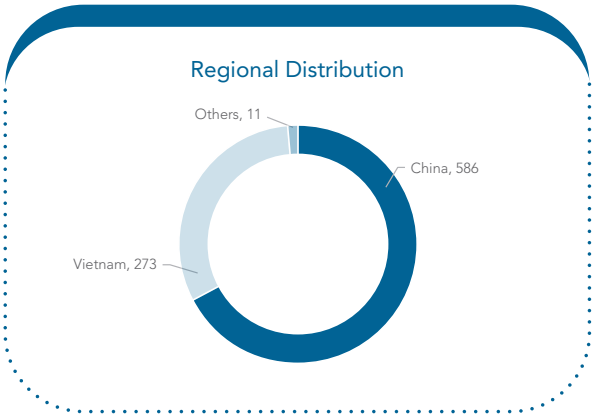
Use of child or forced labour in our operations is strictly prohibited, and is enforced through verification of identity information of job candidates. In the event of the discovery of child or forced labour within our operations, the concerned staff members will be prevented from performing further work at our facilities. During the Year 2025, the Group did not find any serious violations of relevant labour laws and regulations in its regions of operations.

Employee Statistics

As of 31 December 2025, the Group has a total of 868 employees, with 867 full-time employees and 1 part-time employees. The breakdown of our workforce distribution is presented in the following charts:







The Group's employees are predominantly located in the PRC and Vietnam, with the exception of 11 employees located in other regions. The turnover statistics the Group during the Year 2025 is presented in the table below;

Employee Category	2025 Turnover Rate	2024 Turnover Rate
Overall	**14%**	23%
By Gender		
Male	**13%**	12%
Female	**15%**	47%
By Age		
18-24 years old	**13%**	56%
25-30 years old	**16%**	30%
31-40 years old	**17%**	25%
41-50 years old	**10%**	14%
51-60 years old	**15%**	18%
Over 60 years old	**33%**	0%
By Geographical Region		
China	**20%**	24%
Vietnam	**3%**	–
Other Regions	**–**	9%

Supply Chain Management

The Group's operations involve procurement of raw materials from external suppliers and the Group has put in place a number of measures governing the supplier selection procedure, with the objective of driving better sustainability performance across its value chain. Some of the Group's key measures for managing the sustainability performance of its raw material suppliers include the followings:

- The Group adopts standardized evaluation process, including assessment criteria, for raw material suppliers and contract manufacturers. Detailed scoring schemes are clearly defined, specifying individual aspects to be evaluated for each type of supplier. The standardized assessment procedure is applied for all existing and new suppliers.

- The assessment criteria contain a dedicated section with regards to the environmental management performance of suppliers, covering environmental management standards adhered to by suppliers, and assessment of their environmental management capabilities.

    - For materials with environmental requirements mandated by laws and regulations, suppliers are requested to provide relevant credentials for review, and site visits will be performed to ensure compliance with environmental requirements. For new materials and materials which have potential for contamination, suppliers are requested to provide REACH reports to confirm compliance with requirements related to toxicity/heavy metals.

- Strict and clear delegation of duties is in place to maintain check and order through the supply chain management process:
    - A professional and experienced Procurement Team is responsible for the assessment of suppliers, and the evaluation of suppliers with reference to the quality, price and efficiency of the supplied raw materials
    - The Quality Control Team performs regular tests of purchased raw materials.
    - Technical and compliance requirements are handled by the Technical Team
- A "Supplier Management and Quality Assurance System" is set up to manage all supplier– related information and records, such as product quality, production capacity, delivery time and other important indicators relevant to the Group's evaluation of supplier performance.

As of 31 December 2025, the Group had a total of 1,595 suppliers, in which 1,408 are located in the PRC and 187 are located in overseas.

Product Responsibility

The Group actively explores, introduces and applies new concepts in its designs and material usage. Its Marketing, Design and Technical teams work in a collaborative manner, maintaining close coordination to integrate latest trends across various disciplines into the development of new products, including new technology, market trends, and consumer preferences.

To maintain timely responses to changes in market demand, the Group performs continuous research to improve the ingredients of core products, including optimizing the composition of aroma formulations to enhance their attractiveness to different consumer groups. The Group's candles made from natural plant ingredients and other environmentally friendly products have good reception for being consistent with the concept of healthy living, which have strong market potential that aligns well with consumers' growing environmental awareness. The preference of sourcing products that have better environmental performance is consistently applied across our supply chain, through the use of standard procurement procedures and quality assessments.

The Group regularly performs quality control and monitor the performance of its products in accordance with industrial standards. Since most of the Group's products are exported and sold internationally, the Group adopts relevant international standards for its products, such as BS EN 15493-2019: "Candle Fire Protection Specifications", BS EN 15426-2007: Specifications for Sooting Behaviour, and "Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)" EC1907/2006.

As of the publication date of this report, "Crevice Series – Time Traveler"（「隙系列 – 時間旅人」）under our group has won the Silver Osmanthus Award for Fragrance Candle at the Golden Osmanthus Awards, co-founded by the China Daily Chemicals Association and Rayli Magazine. In addition, our subsidiary, Anhui Fenyuan Aromatic Technology Co., Ltd., has been awarded Anhui High-tech Enterprise Certification.

With regards to the use of raw materials, the Group only purchases materials from suppliers that satisfy requirements for quality, capability, production capacity, and delivery schedule. The Group has stipulated internal quality standards and policies, including "Inspection Specifications for Outsourcing Services", "Quality Inspection Standards", "Sample Inspection Standards for Finished Products" and "Inspection Requirements" to establish the framework for proper control and monitoring of product quality.

To enhance the traceability of various materials handled in our operations and address any special handling requirements, the Group established a set of standard labelling framework which guides the handling of the products at various phases. Essential information such as the type of material (e.g., raw material, intermediate product, final product), quantity, batch number, date of inspection and best before dates are thoroughly documented. Materials are also attached with visible colour-coded labels based on their results from product quality tests to ensure that only compliant items are allowed in our manufacturing facilities.

Product Recall Policy

The Group has set up an Emergency and Recall Procedure for Products which lays out the specific process for the handling of situations which require recall of the Group's products. This includes products associated with potential safety hazards, and/or products that failed to meet customer requirements. The Group's sales department has established multiple channels for customers to report substandard products.

Upon confirmation of product recall requirements, the Technical Team will compile key information related to the recall, including the batch number, date of manufacture, and reasons for recall. Based on this information, the Sales Team will contact relevant staff responsible for the distribution of the affected products as soon as possible, such that impact to end-users of the products can be minimized. The process of each recall shall be documented for record purposes. An annual drill is organized by the Group's Sales Team to simulate the product recall process to ensure relevant teams are familiar with the process.

To ensure the traceability of the Group's products, all raw materials, intermediate and final products that have potential safety concerns are thoroughly logged and tracked, such that recalls can be performed effectively in case any substandard conditions are identified.

During the Year 2025, the Group did not encounter any situations which require product recalls related to safety issues.

During the Year 2025, the Group did not identify any serious violations regarding health and safety, advertising, and labelling of products which have a significant impact on the Group. This includes, but not limited to: "Product Quality Law of the PRC", "Advertising Law of the PRC", "Protection of Consumer Rights and Interests Law of the PRC", "Trademark Law of the PRC", "Patent Law of the PRC", "Copyright Law of the PRC", "Australian Consumer Rights Law", "British Consumer Protection Law", "Dutch Packaging Act", "German Packaging Law", "German Product Liability Law", "EU Council Directive 85/374/EEC" and "Article 1245 of the French Civil Code".

Customer Feedback

Customer satisfaction is of utmost importance to the Group and it has issued a dedicated policy detailing the procedure of handling customer complaints. Upon receipt of a customer complaint, relevant departments will be notified to initiate formal investigation on the issue to identify possible causes and parties responsible for the issue. This includes reviewing the quality assurance records associated with the product batch, and follow-up on the quality control process to identify potential room for improvement. During the Year 2025, the Group did not receive any material complaints with regards to its products and services.

Privacy and Intellectual Property Rights

The Group is committed to protecting customer privacy and has established relevant policies and procedures to safeguard customer data.

Development and innovation are crucial to the Group's businesses and the Group pays significant attention to the management of intellectual property rights, this includes the management of patents and trademarks owned by the Group, as well as avoiding any infringement of intellectual property rights of other parties. As of 31 December 2025, the Group owns 284 trademarks, has obtained 53 patents, and has 14 patents pending, covering inventions, utility model and appearance design.

Anti-corruption

In order to promote business activities in a down-to-earth manner, the Group attaches great importance to anti-corruption work. The Group's anti-corruption and anti-bribery regulations details the internal standards of conduct that must be abided by all employees. This is part of the Group's internal control mechanism, which serves to maintain the Group's good image, with a business philosophy rich in law-abiding integrity and the delivery of quality service as the core.

The Group has also developed an internal control and monitoring system. If any violation is found, the Group will immediately take action and apply disciplinary actions to employees who violate any policies or regulations.

Started from 2024, anti-corruption training has been incorporated into the regular courses for our employees and senior management personnel. During the Year 2025, the Group did not identify any serious violations of laws and regulations relating to bribery, extortion, fraud and money laundering which have significant influence to the Group. This includes, but not limited to, the "Company Law of the PRC", the "Tendering and Bidding Law of the PRC" and "Hong Kong Bribery Prevention Ordinance". The Group did not have any legal proceedings related to corruption and was not aware of any legal proceedings of its employees in the Year 2025.

Community Investment

The Group believes that building good relationships with local communities is a key factor for its success and it has been keen in providing necessary support for communities around its production base, including providing assistance to vulnerable groups, participating in voluntary work and actively supporting charity activities.

During the Year 2025, the Group has made charitable donations of 500,000 to local charitable organizations.

The Group also encourages its employees to actively participate in charitable activities and community services to help establish work-life balance, as well as to help form a good relationship with the local community. Examples of extracurricular community activities that the Group's employees are active in include cultural activities, voluntary work, and activities organized by charitable organizations.

Climate-related Disclosures Content Index

This content index has been prepared in accordance with the HKEX ESG Code and the International Sustainability Standards Board (ISSB) IFRS S2 – Climate-related Disclosures.

Core Area, Aspect, General Disclosure and Key Performance Indicators		Section/Disclosure
Governance		
19(a)(i) – (iv)	Disclose the oversight of climate related risks and opportunities by governance bodies (e.g., the Board), including member skills, frequency of information receipt, decision making processes, and how metrics and targets are overseen.	ESG Governance Climate Change Response – Strategy The Group has not yet linked climate related performance to remuneration incentives when formulating its remuneration policy.
19(b)(i) – (ii)	Disclose management's role in monitoring and managing climate related risks and opportunities, including whether specific positions are assigned and related control procedures.	Climate Change Response – Strategy The Group has not yet linked climate related performance to remuneration incentives when formulating its remuneration policy.
Strategy		
20(a) – (d)	Describe climate related risks and opportunities that may affect financial position, including risk types (physical/ transition), affected time horizons (short/ medium/long term) and definitions.	Climate Change Response For climate related opportunities in each period, we will regularly assess whether the relevant information qualifies for relief and, where feasible, discuss them further in subsequent reports.
21(a) – (b)	Describe the current and expected impacts of climate related risks and opportunities on the business model and value chain, and where these risks are concentrated in the value chain.	Climate Change Response For climate related opportunities in each period, we will regularly assess whether the relevant information qualifies for relief and, where feasible, discuss them further in subsequent reports.

Core Area, Aspect, General Disclosure and Key Performance Indicators		Section/Disclosure
22(a) – (b); 23	Disclose the response to climate related risks and opportunities and related plans, including resource allocation, transition plans, adaptation/mitigation measures, how resources are deployed, and the progress of plans disclosed in previous annual reports.	Environmental Targets The Group is still conducting further internal discussions on climate related transition plans; where feasible, they will be discussed further in subsequent reports. For climate related opportunities, we will regularly assess whether the relevant information qualifies for relief and, where feasible, discuss them further in subsequent reports.
24(a) – (b)	Disclose the current impact of climate related factors on financial performance and position during the reporting period, as well as items that may be subject to material adjustments in the following year.	The Group is still conducting further financial analysis and internal discussions, and plans to disclose the financial impacts of current climate related risks and opportunities in future reports where feasible.
25(a) – (c)	Disclose the expected impact of climate related risks and opportunities on financial position and cash flows over the short, medium and long term, including investment/financing plans.	The Group is still conducting further financial analysis and internal discussions, and plans to disclose the financial impacts of current climate related risks and opportunities in future reports where feasible.
26(a) – (b)	Disclose climate resilience analysis, explaining how scenario analysis is used to assess resilience, including selected scenarios, assumptions, time horizons and adaptive capacity.	Climate Change Response For climate related opportunities, we will regularly assess whether the relevant information qualifies for relief and, where feasible, discuss them further in subsequent reports.

Core Area, Aspect, General Disclosure and Key Performance Indicators		Section/Disclosure
Risk Management		
27(a) – (c)	Disclose the processes for identifying, assessing, prioritising and monitoring risks and opportunities, and how these processes are integrated into the overall risk management system.	Climate Change Response – Risk Management
Metrics and Targets		
28(a) – (c)	Disclose absolute gross greenhouse gas emissions (tonnes of CO_2 equivalent), separately reporting Scope 1, Scope 2 and Scope 3 data.	Environmental Performance Summary
29(a) – (d)	Disclose the measurement methodology for greenhouse gases, assumptions, basis for selected categories, and measurement approach for Scope 2.	Environmental Performance Summary
30	Disclose the amount and percentage of assets or business activities vulnerable to transition risks.	The Group is currently reviewing analytical and quantitative methods available in the market to disclose the percentage of business vulnerable to transition risks.
31	Disclose the amount and percentage of assets or business activities vulnerable to physical risks.	The Group is gathering additional data and information (e.g., financial impacts, mitigation measures and residual risks) to disclose the percentage of business vulnerable to physical risks.
32	Disclose the amount and percentage of assets or business activities aligned with climate related opportunities.	The Group is currently reviewing more detailed analytical and quantitative methods available in the market to disclose the percentage of business aligned with climate related opportunities.

Core Area, Aspect, General Disclosure and Key Performance Indicators		Section/Disclosure
33	Disclose the amount of capital expenditure, financing or investment deployed for climate related risks and opportunities.	The Group is currently evaluating more sophisticated analytical and quantitative methodologies available in the market to disclose the capital expenditure, financing, or investment amount aligned with climate-related opportunities.
34(a) – (b)	Explain whether and how internal carbon pricing is applied, and disclose the specific carbon price.	The Group does not currently apply carbon pricing in its decision making.
35	Explain whether and how climate related performance is considered in remuneration policies.	The Group has not yet linked climate related performance to remuneration incentives when formulating its remuneration policy.
36	Encouraged disclosure of industry specific metrics relevant to the particular business model or industry characteristics.	Not applicable
37(a) – (h)	Disclose climate related targets and their details: metrics, objectives, scope, period, base period, milestones, absolute/intensity nature, and reference to international agreements.	Environmental Targets
38(a) – (d)	Disclose the method for setting and reviewing targets, including whether verified by a third party, review process, and revision records.	ESG Governance; Environmental Targets
39	Disclose actual performance against targets and trend analysis.	Environmental Targets; Climate Change Response – Metrics and Targets
40(a) – (e)	Disclose additional details of greenhouse gas emission targets: gases and scopes covered, gross/net target, decarbonization pathway, and use of carbon credits.	Climate Change Response – Metrics and Targets
41	When preparing disclosures related to strategy and targets, consider the applicability of cross industry metrics and industry specific metrics.	Not applicable