EAGLE NICE (INTERNATIONAL) HOLDINGS LIMITED
鷹美(國際)控股有限公司 *

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司
Stock Code 股份代號: 02368

*For identification purposes only
*僅供識別

2026

Environmental, Social and Governance Report
環境、社會及管治報告

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About this Report

1.1 Foreword

Established in 1993, Eagle Nice (International) Holdings Limited (the "Company") and its subsidiaries (collectively as the "Group" or "we") have evolved through 33 years of dedicated development into a pioneering force in the international garment manufacturing industry. We regularly collaborate with progressive global sportswear brands to jointly advance sustainable development in this industry.

Committed to our mission of "Leading Innovation, Dedication to Customers, Employee Empowerment and Remuneration to Shareholders", the Group has achieved international standards in products, services and technologies, while placing strong emphasis on environmental protection and community involvement and engagement. Moreover, the Group has adopted "sustainable development and dedication to the society" as its direction for sustainability.

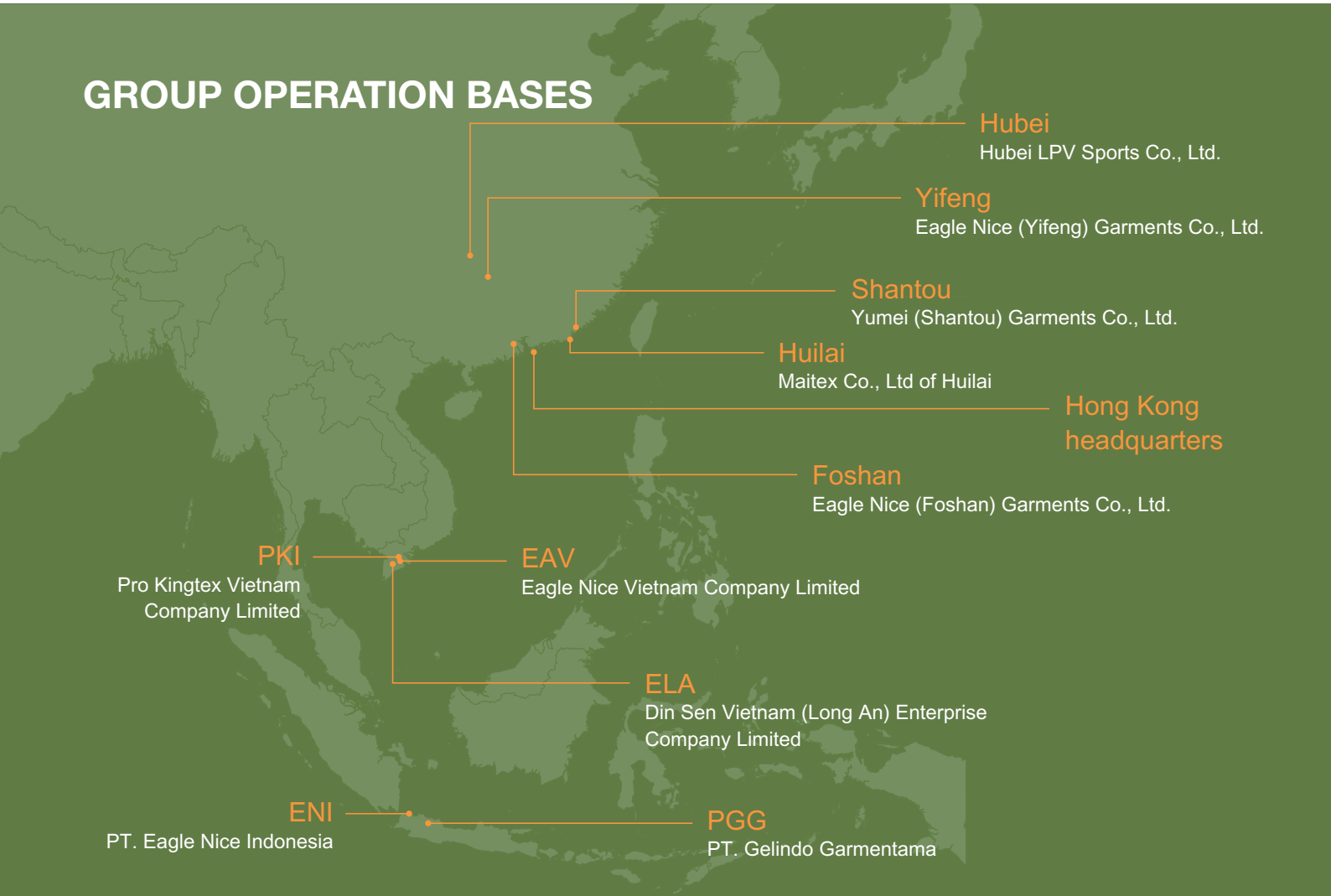
During the Year, the Group continued to refine its human resources policy, occupational health and safety ("OHS") policy and environmental policy, with the objectives of deepening safety culture, strengthening environmental awareness, and actively advancing green procurement. Our headquarters and factories actively pursue environmental certification programs to fulfill our sustainability commitments.

1.2 Basis for the Compilation of the Report

This Environmental, Social and Governance Report (the "Report") is compiled in accordance with the Environmental, Social and Governance Reporting Code (the "ESG Reporting Code") set out in Appendix C2 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), taking into account the conditions of the Company as applicable. The Report is published annually for each financial year.

1.3 Reporting Period and Scope

This Report discloses the Group's environmental, social and governance ("ESG") performance during the period from 1 April 2025 to 31 March 2026 (the "Reporting Period" or the "Year"). The Group is principally engaged in sportswear manufacturing. The reporting scope of this Report covers eleven locations of operation set out below which accounted for the majority of the Group's operating income during the Reporting Period and were materially related to the environment. Compared to the previous year, the reporting scope of the Year includes an additional factory in Vietnam.



1.4 Reporting Principles

Materiality

The Group regularly draws reference from sustainability standards of local and international industry peers to align with such standards. Through stakeholder surveys, we identify critical sustainability issues of highest concern and integrate them into the Group's sustainability roadmap provided that it is conducive to the Group's operations.

Balance

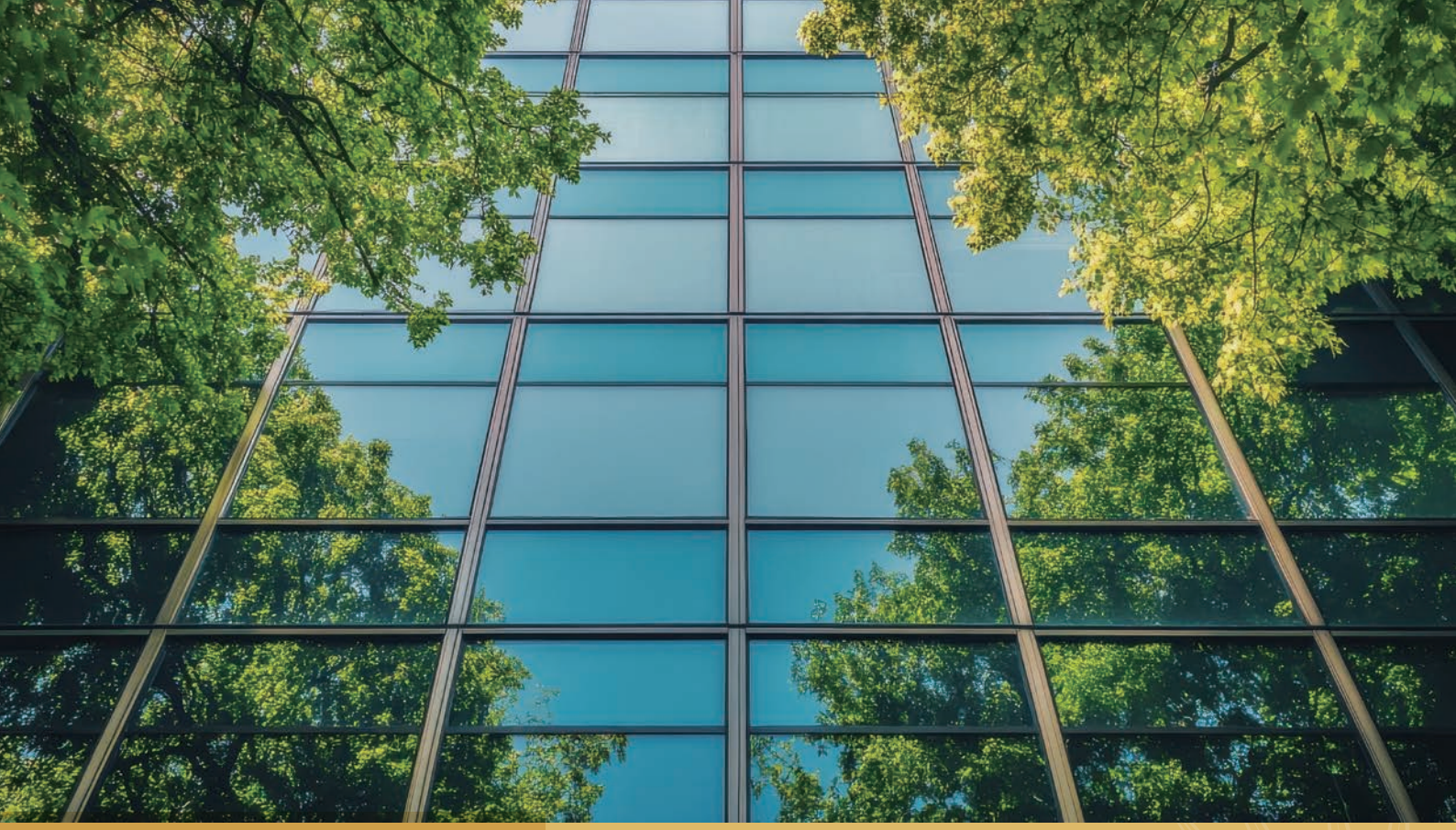
To ensure impartiality in the Report, the Group provides equitable disclosure of both sustainability achievements and challenges relevant to the Group and its stakeholders, delivering unbiased information to the public.

Quantitative

The Group is committed to quantifying and disclosing its key performance indicators and data in environmental and social aspects and, where appropriate, explaining data collection methodologies and computation principles to enhance data transparency.

Consistency

The Group discloses information in accordance with the ESG Reporting Code, which provides consistent framework that allows the Group to compare past performance year-on-year and provide timely updates on data computation and comparison principles.



CHAPTER
02
Governance Structure

2.1 Board Supervision of Environmental, Social and Governance Matters

The board of directors of the Company (the "Board") recognises that effective ESG and climate governance not only generate long-term returns for shareholders, but also enhance operational resilience and safeguard the interests of stakeholders. During the Reporting Period, the Board integrated ESG and climate-related issues into the Group's overall governance and strategic decision-making framework, ensuring that sustainability principles align with business direction, risk management and resource allocation.

The Board has ultimate oversight responsibility for the Group's ESG and climate-related matters. Through the reinforced ESG governance structure, the Board reviews the ESG reports submitted by the management on a semi-annual basis, covering policy implementation, risks and opportunities analysis, and progress towards key targets. Meanwhile, the Board also provides guidance and support on significant matters involving climate-related factors, including capital and operating expenditure, investments in energy and equipment, and adjustments to production capacity, in order to support the Group's long-term development and enhance its resilience to climate change.

ESG Governance Structure

At management level, the Group's ESG and climate-related work is coordinated by the Chief Executive Officer, with a well-established reporting mechanism to regularly report to the Board on policy implementation, progress towards targets and analysis of any variances. Based on these reports, the Board provides timely guidance to management on adjusting action plans and resource allocation to ensure the effective implementation of all ESG measures.

The Sustainability Department, in collaboration with local teams, is responsible for driving the implementation of specific measures, including formulating action plans, tracking performance and regularly reviewing outcomes, as well as assessing climate-related risks and reporting to the Board to support strategic decision-making. In terms of capacity building, the Board has acquired the essential capabilities required to oversee climate-related issues, and continues to participate in relevant training and seminars (including those on the Stock Exchange's climate disclosure requirements) to enhance its understanding of climate-related risks and opportunities, as well as its oversight capabilities.

Risk Management and Targets

The Group has integrated climate risk management into its overall enterprise risk management framework, and follows established processes to identify, assess and manage such risks.

The Group reviews the effectiveness of its risk management processes annually to ensure that climate-related challenges can be addressed in a timely manner.

The Group has set carbon intensity targets and continuously monitors its performance against them. Furthermore, it supports carbon reduction and energy transition efforts by purchasing Renewable Energy Certificates ("REC") and promoting energy efficiency improvements.

Key Risks and Response Strategies

During the Reporting Period, the Board identified geopolitical and economic uncertainties as key business risks and directed the Group to implement a strategy of diversifying its production bases, including establishing operations in Chinese Mainland, Indonesia and Vietnam, in order to mitigate risks and enhance supply chain stability. Furthermore, the Board has driven the optimisation of production planning and management models, including the development of automated production systems and digitalised logistics facilities, with a view to enhancing operational efficiency and strengthening the Group's ability to address future market and climate-related challenges.

ESG Performance Review

Environmental: The Group continued to implement a range of energy-saving, emission-reduction and resource management measures, including enhancing energy efficiency, introducing energy-efficient equipment, expanding the use of renewable energy (such as photovoltaic power generation and REC), and strengthening water and waste management. These measures helped to reduce energy consumption and emissions intensity. During the Reporting Period, the Group was not aware of any material non-compliance with environmental regulations.

Social: The Board maintained a focus on employee health and safety, employment practices, and training and development. Through the provision of occupational safety training and the implementation of preventive measures, the Group remained committed to maintaining a safe working environment, and continued to invest in talent development and participate in community activities to fulfil its corporate social responsibility.

Governance: The Group continued to enhance its internal control and risk management systems, including anti-corruption measures and compliance training. During the Reporting Period, the Group was not aware of any material non-compliance or corruption-related incidents.

Climate Governance and Future Direction

The Board recognises that climate change may present both risks and opportunities to the Group over the short, medium and long-term. During the Reporting Period, the Group conducted climate-related assessments covering physical and transition risks, and incorporated the findings into its risk management framework. The Board also acknowledges that further enhancements in climate-related data and analytical methodologies are desirable; it will therefore adopt a step-by-step approach to continuously enhance the quality of its climate-related analysis and disclosure.

Outlook

Looking ahead, the Board will continue to refine ESG and climate governance mechanisms, enhance data management and disclosure capabilities, and further integrate climate-related considerations into business strategies and decision-making processes. The Board believes that by continuously optimising the governance structure and strengthening cross-departmental collaboration, the Group will be able to maintain resilience in an ever-evolving operating environment and create long-term and sustainable value for its shareholders and the broader community.

Sustainability Awards

The Group has long been committed to driving sustainable development, and its efforts have been recognised and acclaimed by external parties during the Year.

Customer Recognition

- The Group was awarded the "2025 Nike Athlete* Minds Award" by Nike, Inc.
- The Group was awarded the "Spirit of Partnership Award" by VF Corporation
- Hubei factory was awarded the "Excellent Award for R&D" by Li-Ning Company
- Hubei factory was awarded the "Special Contribution Award for Sponsorship" by Li-Ning Company

Community Care

- Hong Kong Headquarters was awarded the certificate of "Recognition for the Yan Chai Hospital Corporate Partnership Scheme 2024/25" by Yan Chai Hospital
- Hong Kong Headquarters was awarded the "Caring Company – Actively Participated " logo by The Hong Kong Council of Social Service
- Yifeng factory was awarded the certificate of "Caring Enterprise" by Yifeng County Special Education School
- Hubei factory was awarded the honorary certificate of "Hubei Digital Charity Festival" by the Hubei Charity Federation
- Foshan factory was awarded the "Award for Active Involvement in Chamber Affairs" by the Lunjiao General Chamber of Commerce

Intelligent Manufacturing

- Shantou factory was granted the title of "Member of the Shantou Intelligent Manufacturing Industry Association" by the Shantou Intelligent Manufacturing Industry Association
- Huilai factory was granted the title of "2024 Top 50 Industrial Enterprises of Jieyang City" by the Jieyang High-Tech Enterprise Association
- Hubei factory was awarded the plaque of "Advanced Collective in Economic Development" by the Duodao District People's Government

2.2 Engagement with Stakeholders

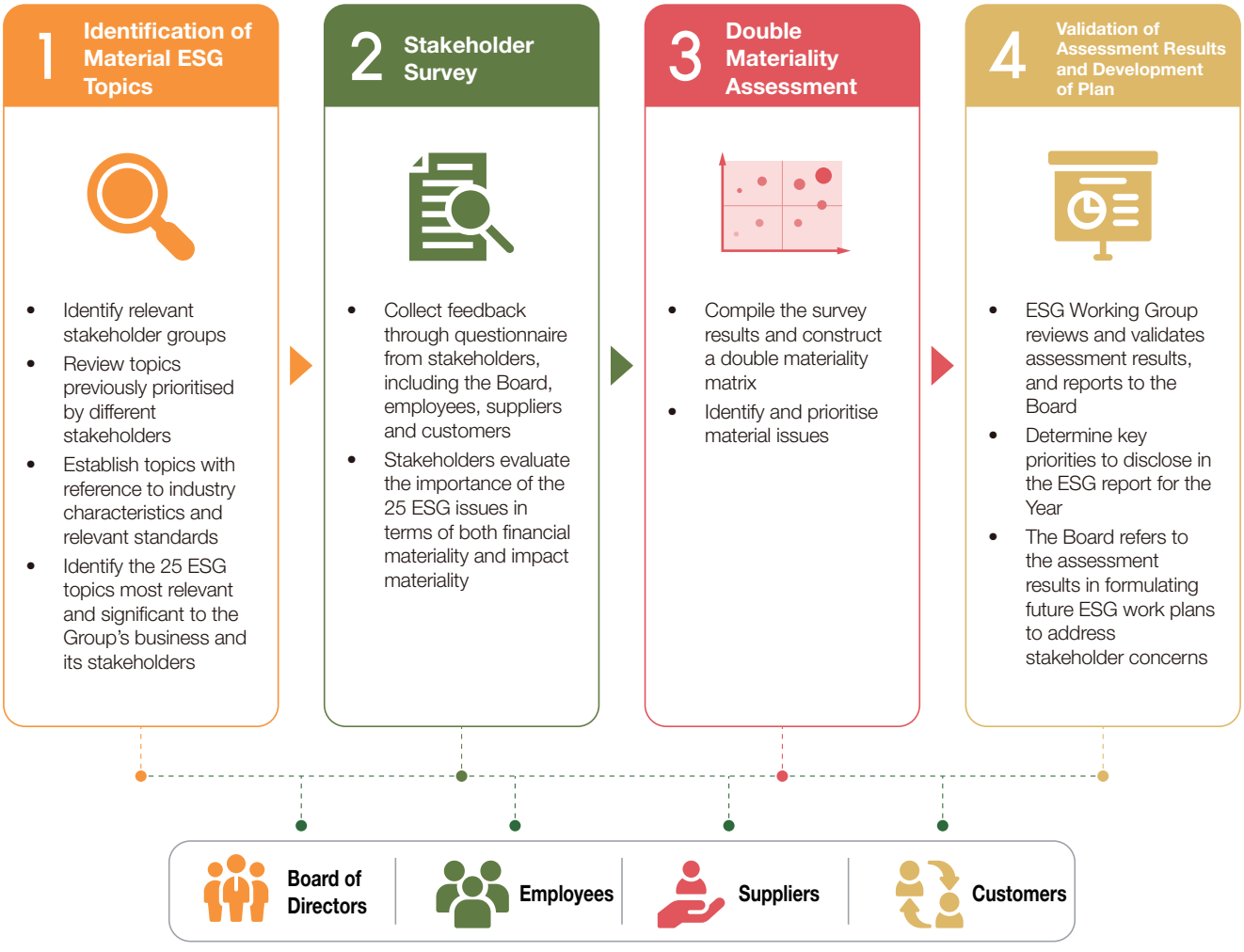
We foster an environment of mutual engagement, placing emphasis on transparent and open communication with our stakeholders. The Board convenes general meetings of shareholders to report on the Group's business operations and actively exchanges views with shareholders. We maintain close relationships with our customers, suppliers and other stakeholders through visits, proactive dialogue, social media and customer meetings.

2.3 Double Materiality Assessment

To implement the Group's sustainable business strategy, the Group conducted a comprehensive materiality assessment in the Year to ensure alignment of its ESG strategy with the business priority. We introduced and adopted the "double materiality" principle for the first time to guide our stakeholder engagement. On one hand, we assessed the impacts of our operations on economic, social and environmental aspects. On the other hand, we analysed the potential impact of various ESG issues on the Group's operational and financial performance. Through the double materiality analysis, the Group is able to respond more comprehensively to different stakeholders' concerns regarding ESG issues, and to determine its future sustainability directions and disclosure priorities.

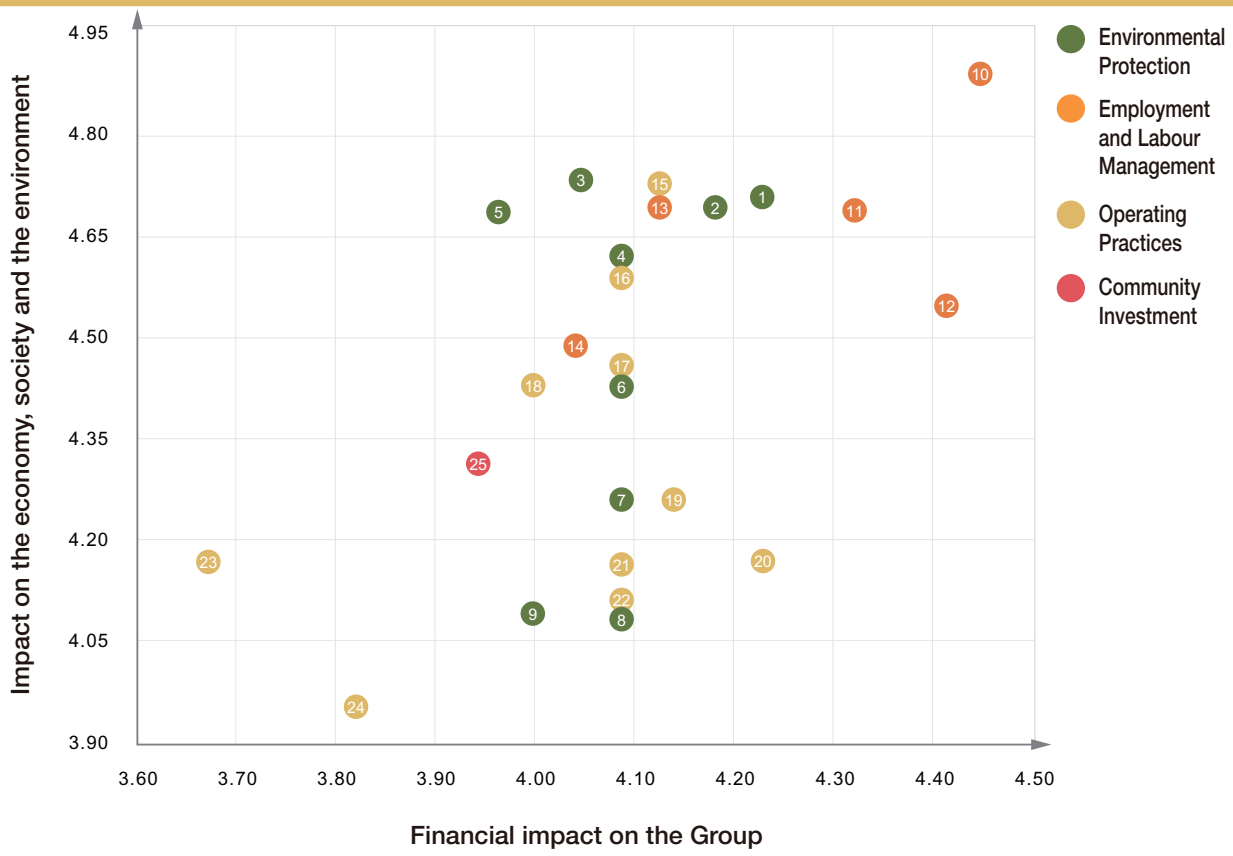
To effectively identify and disclose the sustainability issues of high relevance to our key stakeholders, the Board and the ESG Working Group first conducted an internal assessment to screen for ESG issues highly relevant to the Group's business and identify key stakeholders subsequently, key stakeholders were invited to participate in the materiality assessment, with their feedback collected via a questionnaire. The questionnaire covered 25 ESG-related topics, with respondents rating each issue on a scale of one to five based on its impact on the Group's operations, its significance, and the level of stakeholder concern. The materiality assessment was designed to gather both qualitative and quantitative input, providing the Group with a reasonable basis for identifying and prioritising various sustainability topics. The diagram below illustrates the Group's specific assessment process:

ESG Double Materiality Assessment Process



The Group's "Double Materiality Matrix" presents the relative ranking of 25 material topics, based on their financial impact on the Group (the X-axis) and their economic, social and environmental impact (the Y-axis). Topics located in the upper-right quadrant of the matrix are considered material by both the Group and its stakeholders.

Double Materiality Matrix



Materiality	Environmental Protection	Employment and Labour Management	Operating Practices	Community Investment
Highly material topics	1. Waste and hazardous substances management 2. Water and wastewater management	10. Occupational health and safety 11. Talent development 12. Labour standards 13. Employment	15. Business ethics and anti-corruption	
Material topics	3. Carbon emissions and climate change 4. Air quality 5. Energy management 6. Use of packaging materials	14. Employee engagement, diversity and inclusion	16. Product quality and safety 17. Intellectual property protection 18. Customer privacy and data security	
General topics	7. Ecological impact 8. Paper consumption 9. Green procurement practices		19. Supply chain management 20. Product innovation 21. Customer welfare 22. Customer complaint handling mechanism 23. Sales practices and product labelling 24. Product recall policy	25. Community contribution

High ↕ Low

CHAPTER
03

Environmental Aspects

3.1 The Environment and Natural Resources

The Group is committed to creating a high-quality and sustainable environment for society and future generations. We continuously monitor the environmental impacts of our operations, and actively enhance our employees' environmental awareness and skills, empowering them to pursue the Group's sustainability goals and collectively promote a low-carbon culture, habits and lifestyles.

Environmental and Natural Resources Management

Policy and Management Foundation

- Formulation of the Group environmental policy
- Establishing the direction for sustainable development at each factory
- Establishing and maintaining a robust environmental management system
- Ensuring legal and compliant operations
- Integrating environmental principles into day-to-day operations

Environmental Impact and Compliance Monitoring

- Regular assessment of the environmental impacts arising from factory operations
- Strict implementation of internal environmental monitoring
- Covering boundary noise, wastewater, exhaust gas, dust and designated pollutants
- Ensuring emissions remain well within applicable regulatory limits

Multi-platform Data Disclosure and Verification

- Disclosure and certification via the Higg Facility Environmental Module ("Higg FEM") platform for nine consecutive years
- Covering energy and greenhouse gas ("GHG") emissions, air emissions, water resources, wastewater, waste and chemicals management
- Disclosure of emissions data from factories located in Chinese Mainland via the Institute of Public and Environmental Affairs ("IPE") platform

Environmental Management of Suppliers

- Inviting suppliers to share their Higg FEM reports
- Continuous monitoring of compliance via the IPE platform
- Adherence to the Restricted Substances List ("RSL") for raw materials
- Strict enforcement of the Manufacturing Restricted Substances List ("MRSL") to ensure chemicals safety

ISO14001 Certification

PKI and PGG factories have obtained the internationally recognised ISO14001 environmental management system certification, thereby aligning the Group's environmental management with international standards.

Higg FEM Verification

Shantou, Huilai, Yifeng, Hubei, ENI, PGG, PKI, EAV and ELA factories have completed Higg FEM verification and disclosure.

ZDHC Supplier to Zero Programme

Shantou, Yifeng, Hubei, ENI, PGG, PKI, EAV and ELA factories have completed the ZDHC Supplier to Zero Programme training and obtained Level 1 certificates.

3.1.2 Directional Targets for Environmental Protection

The Group has consistently strived to minimise the environmental impact of its manufacturing processes and has established the following objectives to prevent pollution and reduce resource consumption.

Environmental Objectives and Measures		Progress	Outcomes
Emissions Reduction 	a. Replacing fuel-powered transport vehicles with electric forklifts	✓	Replacement has been completed at all factories.
	b. Installing appropriate filtration equipment to minimise impact of exhaust emissions from production processes on the environment	✓	No material emission incidents that violated relevant environmental regulations were reported at all factories.
	c. Encouraging contracted bus companies to replace fuel-powered buses with electric buses	✓	Yifeng and Hubei factories have fully converted their employee shuttle bus to electric buses, 42 in total.
	d. Adopting more environmentally friendly refrigeration equipment	○	All factories have progressively switched to more environmentally friendly refrigeration equipment, such as R32 and R407C.
Energy Efficiency Enhancement 	a. Adopting energy-efficient equipment	✓	All factories have deployed energy-efficient equipment, such as direct-drive servo motors, air-source heat pumps, and heat recovery of air compressors.
	b. Implementing energy optimisation programmes	○	Certain factories have completed the optimisation programmes.
	c. Purchasing renewable energy	✓	ENI and PGG factories have purchased REC, representing approximately 10% of the Group's total electricity consumption.
	d. Installing photovoltaic power generation systems	✓	Shantou, Yifeng and ELA factories have installed photovoltaic power generation systems, representing approximately 11% of the Group's total electricity consumption.
Waste Reduction 	a. Using automated equipment to reduce scrap materials at source	✓	All factories have introduced automated equipment, such as automated cutting machines and automatic pattern-making equipment.
	b. Implementing waste optimisation programmes	○	Certain factories have completed the optimisation programmes.
Water Conservation 	a. Reuse of reclaimed water	○	Certain factories have applied the approach.
	b. Installing water-saving equipment	○	Certain factories have installed water-saving equipment, such as automatic sensor taps and water supply timers.
	c. Enhancing management of water supply pipelines	✓	Huilai, Foshan, ENI and EAV factories have all completed pipeline renovation projects.

✓ = Completed ○ = In progress

3.1.3 Environmental Training

The Group has fully embraced a green culture, with a variety of environmental training programmes and activities organised at factories, covering topics such as general environmental knowledge, waste segregation, hazardous waste management, energy conservation measures, chemical spill handling and fire drills, first aid, 6S standards and environmental management systems. During the Year, the average number of participants and total hours for environmental training were 3,381 people and 70,498 hours respectively, representing increases of 1,549 people and 46,164 hours. With the reporting scope expanded to cover eleven locations of operation, the Group continued to strengthen its environmental training programmes by covering a broader range of training topics, further enhancing environmental awareness and environmental management capabilities.

Number of participants in training for the Year[1]

3,381

(+84.55%)

Total training hours for the Year

70,498

(+189.71%)

[1] The figure represents the average number of participants in training for the Year, calculated by taking the monthly average number of training participants across all operating locations during the Reporting Period.

3.2 Emissions

The Group is committed to addressing climate change and progressively advancing toward the goal of carbon-neutral operations. We regularly review and update our environmental policies to ensure they remain in line with international standards and regulations.

3.2.1 Waste Management

Guided by the principle of "waste reduction at source and recycling", the Group is committed to minimising the environmental impact of its operations. In addition to adopting more environmentally friendly waste disposal methods, we conduct annual inspections of waste collectors to ensure that waste is properly disposed of. Furthermore, we have implemented a waste optimisation programme, which includes strengthening our waste management systems, improving waste sorting, optimising the management of temporary storage areas, and continuously enhancing employee training to comprehensively improve the effectiveness of our waste management.

3.2.1.1 Hazardous Waste Management

The hazardous waste managed by the Group mainly includes waste chemicals and their containers, waste machine oil, and sludge from wastewater treatment. Each factory has designated specific areas in accordance with laws and regulations for the storage of sorted waste, which is regularly collected and processed by qualified suppliers. Any irresponsible disposal is strictly prohibited. Annual training is provided to employees who handle hazardous waste to enhance their awareness and skills regarding the safe handling of hazardous substances.

3.2.1.2 Non-hazardous Waste Management

The waste generated from the Group's manufacturing processes is mainly non-hazardous waste, including fabric scraps, cotton waste, paper waste (such as carton boxes, marker paper and fabric paper tubes), plastic waste (including plastic bags, plastic wiring cores and plastic boards) and domestic waste (including kitchen waste). The Group actively works to reduce waste volumes, advocating "waste reduction at source and recycling", while utilising automation technology to improve production precision and minimise material consumption. We have implemented the following waste reduction measures for different types of waste:

Fabric Scraps and Cotton Waste	Paper Waste	Plastic Waste
		
1. Automated computerised cutting tables 2. Automated cutting machines 3. Cotton template cutting machines	1. Reusing carton boxes as turnover boxes 2. Returning used paper tubes to suppliers for reuse 3. Increasing use of electronic documents 4. Reusing single-side printed eco-friendly paper 5. Double-sided printing	1. Rewiring used cores with the reel 2. Encouraging employees to bring their own water bottles

The table below summarises the weight of waste generated and its emission intensity during the Reporting Period:

	Annual emissions	
Type of Waste	**2026**	**2025**
Hazardous waste (tonne)	21.80	35.31
Non-hazardous waste (tonne)	1,712.43	1,898.51
Annual production volume (piece)	30,504,181	27,878,322
Emission intensity of hazardous waste (per production unit) (gram/piece)	0.71	1.27
Emission intensity of non-hazardous waste (per production unit) (gram/piece)	56.14	68.26

3.2.2 Wastewater Management

Wastewater discharged by the Group's factories comprises mainly domestic sewage and a small volume of industrial wastewater generated from the printing process. Our industrial wastewater undergoes treatment and purification via on-site facilities, and is then further processed by the industrial zone's wastewater treatment plant before being discharged outside the factory premises.

3.2.3 Exhaust Gas Management

The Group manages emissions of air pollutants in accordance with government regulations. To reduce air pollution, our factories have installed filtration devices at relevant exhaust outlets and engaged third-party testing service providers to conduct compliance inspection and testing to ensure that filtered exhaust gases meet the applicable emission standards. During the Year, our factories adopted the following different types of exhaust treatment equipment:

- Filtration devices using activated carbon and negative ion high voltage technology;
- Photocatalytic equipment for decomposing volatile organic compounds (VOCs);
- Electrostatic oil and fume purifier installed on canteen exhaust pipes; and
- UV photolysis units for laser exhaust.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant environmental regulations in relation to emissions.

3.3 Use of Resources

The Group has been dedicated to reducing the consumption of resources in an effort to promote green and sustainable development.

3.3.1 Energy Management

The Group continually monitors energy conservation performance across all factories through an internal platform. We regularly analyse and compare the electricity consumption across various production processes and areas to identify opportunities for improvement, with a view to reducing energy consumption.

The Group has established an energy management policy. We carry out regular maintenance on existing equipment to improve energy efficiency. To minimise unnecessary consumption, we continuously monitor the operating hours of energy-consuming equipment, ensuring that all equipment is switched off before the end of the working day. We also promote energy-saving and environmental initiatives amongst employees, encouraging them to switch off equipment when not in use and to incorporate energy conservation into their daily work routines. When procuring new equipment, we give priority to models with energy-efficient features.

We have implemented an energy optimisation programme to assist our factories in establishing standardised daily management mechanisms aimed at reducing energy wastage, while identifying major energy-consuming equipment and areas for improvement, thereby continuously enhancing overall energy efficiency. (For details of the relevant energy efficiency measures, please refer to section 3.4.3.2 of this Report).


TUVNORD

CERTIFICATE

ISO50001 Certification

ELA factory has obtained the internationally recognised ISO50001 certification for energy management systems, thereby aligning the Group's energy monitoring and management with international standards.

3.3.2 Water Conservation

Water consumed by the Group is sourced from municipal water supply and mainly used for domestic purposes. Water-consuming equipment is under the supervision of dedicated personnel of the Group, who are responsible for the regular cleaning, maintenance and inspection of such equipment. If leakage or deterioration in water supply facilities and fittings are detected during inspections, immediate repairs or replacements will be carried out to prevent water wastage.

Our factories have implemented different water conservation measures according to their respective conditions to reduce consumption of fresh water:

- Reuse of reclaimed water;
- Adoption of water-curtain air conditioning systems with circulating water design;
- Optimisation of the water distribution network, with enhanced maintenance and inspection of water pipes;
- Replacement of taps with automatic sensor-operated or low-flow models; and
- Installation of water timers.

3.3.3 Reduction of Packaging Materials

To reduce the use of packaging materials and minimise waste generation, the Group has continuously optimised its packaging management strategies and implemented a number of measures to enhance resource efficiency and support its sustainability objectives.

During the Year, the Group progressively adopted biodegradable or reusable packaging materials to mitigate the environmental impact arising from their final disposal. In terms of recycling, we have implemented a packaging recycling scheme, encouraging the return of used packaging materials to our suppliers or partners for reuse or reprocessing, thereby reducing waste generation. Furthermore, we have actively collaborated with our suppliers and business partners that have already adopted waste reduction measures, prioritising supply chains with a commitment to environmental management to jointly promote packaging reduction and resource recycling.

Looking ahead, the Group plans to optimise packaging design, including exploring the adoption of larger or multi-purpose packaging solutions that allow a single package to contain multiple items, further reducing the overall use of packaging materials at source. In addition, we will continue to review our packaging usage and explore more innovative and environmentally friendly packaging solutions to further minimise our environmental footprint.

3.3.4 Summary of Resource Consumption

Following the implementation of conservation measures described above, the major resources consumed by the Group during the Reporting Period are summarised in the table below:

	Total annual consumption	
Resources	**2026**	**2025**
Purchased electricity (kWh)	33,058,637	26,779,529
Renewable energy consumption[2] (kWh)	9,024,975	4,987,007
Water (cubic metre)	570,696	559,471
Packaging materials (paper-based) (tonne)	2,510	1,890
Packaging materials (plastic-based) (tonne)	454	375
Annual production volume (piece)	30,504,181	27,878,322

	Intensity of consumption per unit of production	
Resources	**2026**	**2025**
Purchased electricity (kWh/piece)	1.08	0.96
Water (litre/piece)	18.71	20.07
Packaging materials (paper-based) (gram/piece)	82.27	67.95
Packaging materials (plastic-based) (gram/piece)	14.87	13.49

[2] The Group's renewable energy consumption comprises electricity from the solar-powered facilities at its Shantou, Yifeng and ELA factories, as well as electricity from purchased REC for its ENI and PGG factories.

3.4 Addressing Climate Change

3.4.1 Climate Strategy

Climate change is a globally significant and increasingly urgent issue. To enhance resilience and seize the opportunities brought by the transition, the Group integrates climate considerations into its strategic planning and risk management processes, and conducts climate-related scenario analysis across different time horizons to systematically identify, assess and monitor climate-related risks and opportunities. Based on the above, the Group formulates and implements specific mitigation and adaptation measures to reduce potential negative impacts on its operations and support sustainable growth.

The Group conducted climate-related scenario analysis based on two scenarios and three time horizons to identify and assess physical risks, transition risks, and climate-related opportunities.

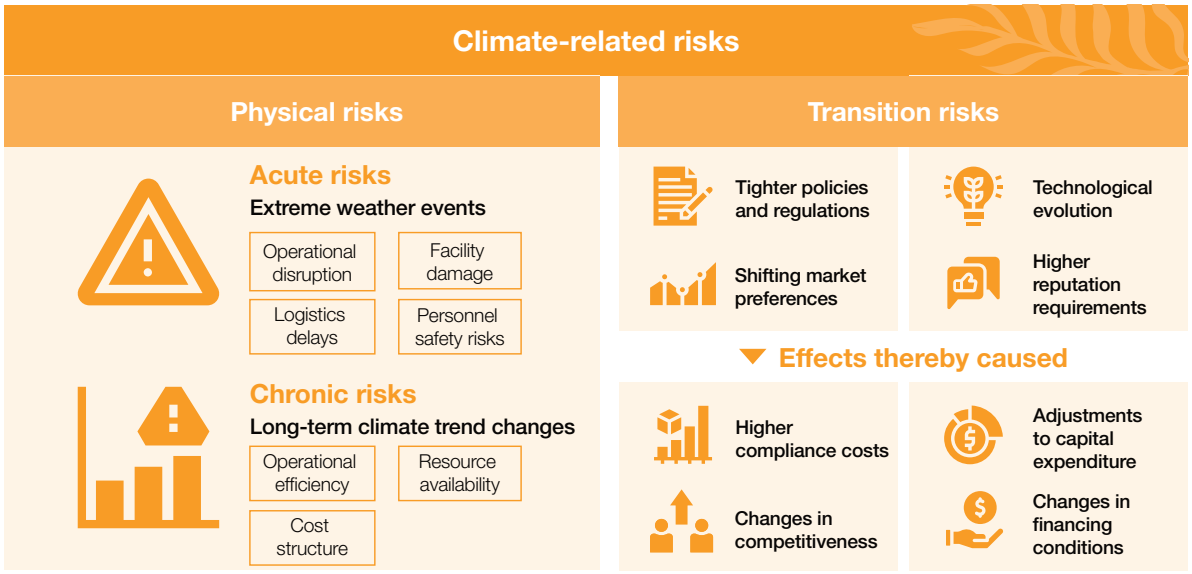
3.4.1.1 Time Horizons

Based on the nature of the industry and the climate goals of the Group, time horizons are selected to assess climate-related risks and opportunities, set targets and make strategic decisions, ensuring that the time horizons align with our comprehensive climate adaptation measures and direction. The time horizons are defined as follows:

Time horizons	Period	Basis
Short-term	Current to 2030	Based on current equipment lifespan and policy change cycles
Medium-term	2030 to 2050	Considering the net-zero targets of government policies
Long-term	2050 to 2100	Corresponding to the long-term trends of climate physical risks

3.4.1.2 Identification of Climate-related Risks and Opportunities

Taking into account the Group's business conditions and development strategy, as well as the concerns of internal and external stakeholders, we have analysed the short-term, medium-term and long-term effects of each climate-related risk category. Climate-related risks are divided into two major categories: physical risks associated with climate change, and transition risks associated with the transition to a low-carbon economy, as shown below:



Climate-related opportunities refer to the potential positive impacts of climate change on the Group. Measures to mitigate and adapt to climate change may also bring climate-related opportunities to the Group.

3.4.1.3 Climate Scenarios

The Group has adopted the Shared Socioeconomic Pathways ("SSPs") from the Sixth Assessment Report ("AR6") of the Intergovernmental Panel on Climate Change ("IPCC"), as well as the Global Energy and Climate Model ("GEC") of the International Energy Agency ("IEA"), to conduct climate-related scenario analysis under different climate scenarios, and to assess the Group's climate resilience from both physical risk and transition risk perspectives. The scenario analysis process is as follows:

Conduct climate change scenario analysis

- Define two climate scenarios of low emission and high emission
- Conduct analysis using public scenario models
- Obtain quantitative or qualitative parameters for each of the two scenarios

Assess the timing and magnitude of climate change impacts on the operations of the Company

- Analyse based on scenario and the Group's business characteristics and geographical locations
- Assess the short-term, medium-term, and long-term effects of climate-related risks and opportunities

The relevant scenario analysis helps comprehensively assess the Group's ability to respond to climate change. Based on the analysis results, the Group can more clearly identify risk exposures and potential management gaps, thereby formulating corresponding risk mitigation and adaptation strategies, further enhancing the overall resilience of its business model and value chain, and supporting the Group's long-term sustainable development.

3.4.1.4 Principles of Scenario Analysis

To more accurately assess climate-related physical risks and transition risks, the Group adopts a multi-scenario analysis framework to conduct forward-looking assessments of potential risks to the Group's major operating regions under global warming scenarios of 1.5°C and 3°C, with time horizons covering the short-term, medium-term and long-term.

	Low emission scenario	High emission scenario
Scenario definition	Global warming is limited to 1.5°C or well below 2°C to achieve carbon neutrality (net-zero emissions) by 2050.	Global climate policy has nearly stagnated; the economy is highly dependent on fossil fuels; the development of clean technologies is severely lagging; GHG emissions remain persistently high; and the temperature rise by the end of this century will exceed 3°C.
Reason for selection	It is used to assess the impact of climate actions taken to achieve the Paris Agreement's goal of 1.5°C or well below 2°C. Under this scenario, we will focus more on transition risks.	Serving as a worst-case stress test, it is used to assess the maximum impact of extreme physical risks on the asset portfolio, supply chain and operational sites when international cooperation collapses and the transition stalls, ensuring that the Group remains resilient under the most severe conditions.
Scenario description and reference	**Physical risks** IPCC SSP1–2.6: Global adoption of strong climate policies and technological innovation, with a focus on clean energy, achieving the temperature control target of 1.5°C or well below 2°C. **Transition risks** Net Zero Emissions Scenario IEA NZE: The energy system undergoes rapid decarbonisation, driven by renewable energy, electrification and technological breakthroughs, while requiring robust support from international policies. Global carbon neutrality is to be achieved by 2050.	**Physical risks** IPCC SSP3–7.0: Climate policy has nearly stagnated. The economy is highly dependent on fossil fuels, GHG emissions remain persistently high, and the temperature rise by the end of this century exceeds 3°C. The risks of extreme weather, sea level rise and ecosystem collapse are extremely high. **Transition risks** Stated Policies Scenario IEA STEPS: New climate policies are introduced, with emission levels maintained or slightly reduced by 2050, but falling far short of net-zero targets. Global warming trends toward 3°C or higher, with physical risks intensifying.

The selection of the above scenarios ensures that the risk assessment results are highly consistent with the Group's business planning, strategic direction, climate transition plan and publicly disclosed carbon reduction targets, providing a scientific and robust analytical basis for the subsequent formulation of targeted climate adaptation and mitigation strategies.

3.4.1.5 Resilience to Climate Change

The Group has identified and prioritised climate-related risks and opportunities. Based on the selected scenario analysis, we conducted questionnaires to understand their impact levels and time horizons. Through climate scenario discussions, we analysed the material risks and their potential impacts on the Group's operations, and formulated targeted adaptation and mitigation measures for specific risks. The table below summarises the findings.

Climate-related Risks

Type of Risk	Risk	Potential Impact	Scenario	Time Horizon		
				Short-term	Medium-term	Long-term
Transition risks						
Policy and law	Increase in carbon price	As carbon prices rise, the Group's carbon costs in respect of energy consumption and raw materials will increase, thereby putting pressure on product pricing and weakening cost competitiveness. The Group needs to accelerate energy-saving retrofits and green electricity procurement, and incorporate carbon reduction into cost management. At the same time, the upstream costs pass-through and the increasing downstream low-carbon requirements will also affect procurement costs, order allocation and cooperation terms.	1.5°C	●	●	●
			3°C	●	●	●
	Stricter requirements for reporting	More stringent inventory checks on other indirect GHG emissions ("Scope 3") and customer audit requirements will increase costs relating to system setup, manpower and consultancy. Failure to comply with disclosure requirements may expose the Group to the risk of penalties, disqualification of customers or loss of orders.	1.5°C	●	●	●
			3°C	●	●	●
Technology	Shift to lower-emission products	Brand customers are accelerating their shift to recycled or low-carbon fabrics and new processes, which will increase costs relating to research and development, equipment retrofitting and material substitution, and give rise to inventory adjustment and impairment risks.	1.5°C	●	●	●
			3°C	●	●	●
Market	Increase in prices of raw materials	Fluctuations in the prices of energy, water and key fabrics or fillers will push up procurement and production costs, and may lead to delivery delays and gross margin decline. At the same time, upstream supply disruptions or price increases will affect supply stability, while downstream customers may demand fixed quotations and higher delivery guarantees, thereby further intensifying bargaining pressure and performance risk.	1.5°C	●	●	●
			3°C	●	●	●
Reputation	Increased stakeholder concern or negative stakeholder feedback	If the Group fails to meet the expectations of investors, brand customers and regulatory authorities regarding climate performance and compliance, it may face risks such as loss of orders, rising financing costs and reputational damage. At the same time, as supply chain audits become more stringent and consumer preferences shift, upstream suppliers will be required to enhance their management and disclosure capabilities, while downstream customers may adjust their ordering strategies and product offerings, thereby further affecting the demand structure of the supply chain.	1.5°C	●	●	●
			3°C	●	●	●
Physical risks						
Acute	Extreme weather events	Extreme weather events such as typhoons and floods may lead to operation suspension, equipment damage and logistics disruptions, increasing maintenance expenses and giving rise to uncertainties in insurance claims, as well as causing delivery delays and default risks. Disruptions in upstream transportation may affect the stability of material supply, while downstream customers may switch orders due to supply uncertainty, thereby increasing the risk of order loss.	1.5°C	●	●	●
			3°C	●	●	●
Chronic	Rise in average temperatures	Rising average temperatures will increase the electricity demand for air conditioning, thereby pushing up energy costs. Upstream supply prices may fluctuate due to climate pressures, while downstream demand and product mix may also be adjusted in response to climate change, thereby affecting the order structure and production scheduling.	1.5°C	●	●	●

Level of Impact: ● Low ● Medium ● High

Limitations

During the Year, the Group referred to the requirements of the ESG Reporting Code and International Financial Reporting Standards Standard 2 Climate-related Disclosures ("IFRS S2"), and integrated international and regional climate regulations (such as carbon peaking and carbon neutrality goals in Chinese Mainland), industry practices and the latest scientific research to establish its climate disclosure framework. However, scenario analysis has inherent limitations and cannot comprehensively cover all potential climate risks and opportunities. Moreover, its results are subject to data quality, the accuracy of assumptions, and technical conditions. We will continue to monitor emerging risks, optimise our analytical processes, and welcome valuable feedback from stakeholders to enhance the precision and reliability of our future disclosures.

Future Improvements

The Group is currently at the early stage of climate-related disclosures. This Report has not yet provided a quantitative assessment of the short-term, medium-term and long-term financial effects of climate risks and opportunities. In the future, we will strengthen our scenario analysis capabilities and gradually introduce quantitative models to assess the magnitude and probability of potential financial effects. In addition, we will explore flexibility of financial resources and develop response strategies for key effects identified through the analysis. On this basis, we will continue to optimise climate risk management, enhance the Group's climate adaptation and resilience, and ensure sustainable development of our businesses.

3.4.1.6 Climate-Related Opportunities

Although climate change presents certain challenges, the Group actively identifies and seizes the potential opportunities brought by the low-carbon transition. As the development of the global and national low-carbon economy accelerates, the Group, through its existing energy optimisation and emission reduction measures, has not only improved operational efficiency but also strengthened its compliance advantages, avoiding potential carbon-related costs and penalties.

Climate-Related Opportunities	Time Horizon	Description of Potential Financial Effect	Corresponding Strategies and Actions
Resource efficiency			
Adopting more efficient production and distribution processes	Short-to-medium-term	By improving the manufacturing efficiency, it is expected that unit consumption of electricity, as well as labour costs, will be reduced, whilst indirect costs arising from downtime, rework and quality losses will also be minimised. In scenarios where carbon prices and energy prices rise, these measures will help mitigate fluctuations in operating costs. At the same time, by shortening delivery lead times and enhancing delivery reliability, the Company is expected to secure new orders, thereby driving revenue growth and improving gross margins.	The Group will introduce an artificial intelligence ("AI")-powered production management system and deploy high-efficiency and energy-saving equipment, such as servo motors and heat recovery devices, to enhance production line energy efficiency and yield. At the same time, it will continue to advance the automation and data-driven management of production processes, promote process reengineering and lean improvement, and establish a sustainable mechanism for efficiency enhancement.
Implementing recycling and reuse practices	Short-term	The implementation of recycling and reuse measures is expected to reduce waste disposal costs and raw material procurement expenses. At the same time, by enhancing the added value and bidding competitiveness of products made from recycled and circular materials, potential revenue opportunities can be created. Furthermore, these measures help mitigate the risk of rising compliance costs and increased charges arising from stricter waste management regulations.	The Group will recycle fabric scraps and offcuts into recycled fabrics to improve material efficiency. At the same time, it will assess the feasibility of incorporating recyclable materials into its products, supported by comprehensive waste segregation, recycling and contractor management measures, so as to reduce the waste treatment costs.
Energy sources			
Using energy sources with low emissions	Long-term	By utilizing self-generated photovoltaic power for self-consumption and purchasing green electricity, the Group is expected to lower its purchased electricity costs over the full lifecycle and hedge against energy price volatility. Additionally, this will reduce GHG emissions, thereby decreasing future carbon fees or carbon taxes, as well as compliance costs and customer requirement risks. This will also enhance the Group's competitiveness in securing orders within the low-carbon supply chain.	The Group continues to plan and install photovoltaic systems, and increases the proportion of green electricity used by purchasing REC, whilst regularly assessing the feasibility of expanding renewable energy capacity at each of its factories.
Adopting new technologies	Short-to-medium-term	Through implementing energy-saving retrofit measures, it is expected to reduce electricity costs and equipment repair expenses, and minimise production losses caused by downtime. At the same time, advancing equipment electrification can lower fuel and maintenance costs as well as related emission costs, and may provide opportunities to secure government grants or tax incentives, thereby further reducing costs.	The Group continues to introduce AI optimisation and energy saving technologies, such as electric forklifts and variable frequency air compressors, to enhance energy efficiency. At the same time, it will adopt low-energy-consumption equipment while gradually phasing out high-energy-consumption equipment. Combined with preventive maintenance and energy efficiency management, the Group will establish an energy-saving project list and conduct performance tracking to drive continuous improvement.
Products and Services			
Developing or expanding low-emission goods and services.	Short-to-medium-term	The development of low-emission products and services is expected to increase product unit prices and gross margins, as well as create opportunities for establishing long-term partnerships with major brands and acquiring new customers. At the same time, it will help reduce the impact of material supply fluctuations on costs and delivery lead times, thereby enhancing operational resilience.	The Group will develop a low-carbon sportswear series using recycled polyester, and establish material specifications and supplier access standards in accordance with green procurement requirements. At the same time, it will integrate climate transition strategies into product development and business decision-making processes, continuously monitor market trends and customer needs, drive product innovation, and foster sustainable revenue streams.
Market			
Entry into new markets	Short-to-medium-term	Entry into new markets helps diversify risks of production shutdowns caused by geopolitical issues and extreme weather as well as exposure to tariff costs, thereby improving capacity utilisation and supply continuity. At the same time, by tapping into new customer bases and new regional demand, it is expected to drive revenue growth and optimise the customer mix to enhance operational stability.	The Group continues to expand its production capacity footprint to Vietnam, Indonesia, and other locations to tap into low-carbon supply chain demand and mitigate single-region risks. At the same time, it will invest in projects aligned with its carbon reduction targets and establish a policy and regulation monitoring mechanism to assess their impact on costs, tariffs and customer requirements in a timely manner, and develop corresponding response measures.
Resilience			
Resource substitution or diversification	Long-term	By diversifying material sources and supply chains, it is expected to mitigate the risks of cost increases and delivery delays caused by raw material shortages, rising prices and transport disruptions. Meanwhile, this approach will enhance supply reliability and contract fulfillment capability toward customers; and reduce the risks of default, penalties and order loss, thereby strengthening revenue stability.	The Group will promote supply chain and resource diversification, gradually replacing high-carbon materials with low-carbon or alternative materials, and diversify operational and logistics risks through multi-region production bases. At the same time, it will evaluate and introduce new technologies to support material substitution and process optimisation, thereby enhancing resource flexibility and supply stability.

3.4.1.7 Financial Effect

Current Financial Effect

During the Reporting Period, the Group has assessed the actual impacts of identified climate-related risks and opportunities on its financial position, operating performance and cash flows in accordance with the ESG Reporting Code and related requirements. Based on a prudent assessment by the management, climate-related risks, including physical risks and transition risks, as well as climate-related opportunities, have not had a significant immediate effect on the financial position, financial performance or cash flows of the Group.

The Group continuously complies with all applicable environmental and climate-related regulations in its daily operations, and effectively manages potential additional compliance costs and operational risks through existing operational optimisation, energy management and emission control measures. Based on the above assessment, the Group believes that the climate-related risks and opportunities identified during the Reporting Period have not yet necessitated any material adjustments to the carrying amounts of assets or liabilities for the next financial year.

During the Reporting Period, the Group did not record any significant expenses due to extreme weather events, such as additional repairs and losses resulting from facility damage or business interruption. Furthermore, the Group did not incur any material fines for violations of climate-related laws or regulations. In terms of financing, the Group did not issue any green bonds or other dedicated financing instruments for climate projects during the Reporting Period.

Anticipated Financial Effect

The Group has conducted multi-scenario analysis and made preliminary attempts to map physical and transition risks to financial effects. However, due to uncertainties in external scenario parameters, including policy pathways, technology cost curves, variability in regional climate projections, internal data granularity and the maturity of current models, we believe that we have not yet had a sufficiently robust basis at this stage to make specific quantitative forecasts or range estimates of future financial effects. Therefore, this Report does not disclose the anticipated financial effect amounts of climate-related risks and opportunities on the income statement, balance sheet, cash flows or capital requirements over the medium and long-term.

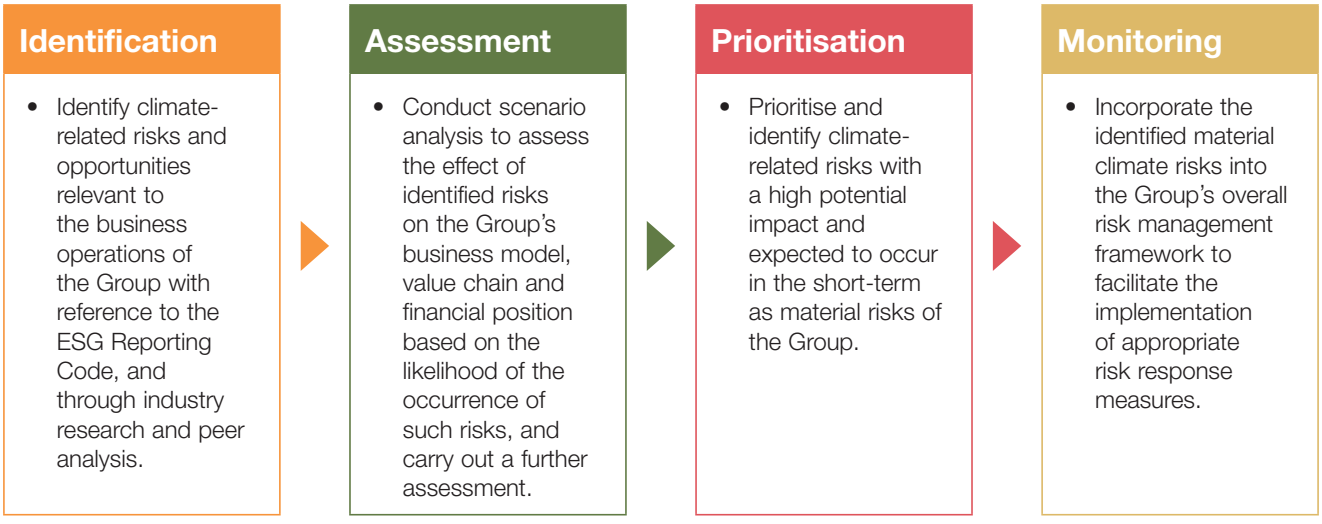
The Group will adopt a prudent and gradual approach, and key areas for continuous improvement include:

- To further refine the analysis of the correlation between historical loss data and climate events;
- To strengthen model benchmarking against international peers and professional institutions; and
- To introduce quantitative results in an orderly manner only when internal and external conditions become more mature and the uncertainties of key assumptions have been significantly reduced.

We are committed to maintaining the highest standards of transparency and prudence. Once a reliable and verifiable quantitative basis is established, we will disclose the relevant anticipated financial effects in a timely manner in subsequent reports. At this stage, we continue to rely primarily on qualitative analysis and treat climate-related uncertainties as an important consideration in our strategic planning and risk management.

3.4.2 Climate Risk Management

The Group has established an integrated risk management framework to regularly identify, assess, monitor and manage climate-related risks. Under this framework, climate risk analysis is conducted at least once a year, and the results are submitted to the Board and the ESG Working Group for review. We have identified climate-related risks that may have a potential material effect on our business, including transition risks and physical risks. Through its governance structure and cross-departmental collaboration, the Group manages climate-related risks using a combination of qualitative and quantitative methods to ensure effective risk control and support business sustainability.



3.4.3 Climate Metrics and Targets

3.4.3.1 GHG Targets

The Group is actively addressing the risks and opportunities presented by the climate change. Using 2020 as the baseline year, it has established management targets to progressively reduce GHG emissions by 2030, including a 50% reduction in GHG emissions intensity. To align with the Paris Agreement's goal of limiting global warming to 1.5° C, the Group will, in the future, set more science-based carbon reduction targets through the validation of the Cascale Manufacturer Climate Action Plan (MCAP).

Based on the monitoring results, the Group's GHG emissions intensity for the Year decreased by 43.38% compared with 2020, and is steadily progressing toward the target of reducing GHG emissions intensity by 50% by 2030, demonstrating that relevant management measures and carbon reduction strategies have achieved substantial results. These achievements are primarily attributable to the continuous optimisation of energy use efficiency, the promotion of energy-saving measures, and the gradual increase in the proportion of renewable energy application. During the Reporting Period, the Group did not use carbon credits to achieve any absolute GHG emissions targets. In the future, after all feasible emission reduction options have been implemented, we will explore the feasibility of purchasing carbon credits to offset GHG emissions generated from our operations.

Looking ahead, the Group will continue to monitor its GHG emissions performance. Based on existing emission reduction achievements and established targets, and taking into account business development and operational circumstances, the Group will prudently review and, where appropriate, refine relevant management targets and strategies to ensure that GHG management efforts remain aligned with the Group's long-term sustainable development objectives.

GHG Management Targets

	Unit	2030 Target	2020 Baseline	2026	Change relative to the baseline
GHG emissions intensity	gram of CO_2 equivalent/piece	–50%	1,078.95	610.80	**–43.38%**

3.4.3.2 GHG Emissions Reduction Strategy

The Group has been dedicated to environmental protection and making resolute efforts to address climate change. We have put in place environmental measures to reduce our GHG emissions:

Direct GHG Emissions (Scope 1)

Our direct GHG emissions are mainly generated by transport fuel consumed in operations. We have implemented the following measures to reduce emissions:

- Fuel consumption control by reducing the deployment of corporate vehicles, planning routes in advance, consolidating trips and encouraging the use of public transport;
- Use of electric forklifts in place of fuel-powered tools at factories; and
- Enhancing air-conditioning maintenance and using refrigerants with lower global warming potential.

Energy Indirect GHG Emissions (Scope 2)

The Group's GHG emissions comprise mainly energy indirect GHG. Thus, reducing grid electricity consumption is our foremost reduction focus. We have been actively studying the feasibility of various energy-saving and emission reduction projects, and have successfully implemented the following projects at our factories:

Energy Efficiency

Our factories actively employ energy-saving equipment with higher energy efficiency, such as LED lighting, IE3 motors, variable frequency energy-saving air compressors, among others. Sensor lights are installed where appropriate to save unnecessary power consumption. Our factories are also committed to raising employees' energy conservation awareness, including switching off unused machinery and lights, and conducting self-inspections of machinery shutdown status by each department before the end of each workday.

Huilai factory has adopted air compressor heat recovery exchangers to reclaim waste heat. The high-temperature waste heat generated during the operation of the air compressor is transferred to water through the heat exchangers, thereby eliminating the need for electric water heaters and effectively saving electricity. In addition, air-source heat pump water heaters are installed at its staff quarters to serve as auxiliary equipment when the air compressor heat recovery system is turned off during weekends and holidays. Unlike conventional electric water heaters, these units collect heat from the atmosphere and require less electricity to produce hot water, further reducing power consumption.

To identify emission reduction opportunities, our factories in Vietnam (PKI, EAV and ELA factories) engaged third-party consultants to conduct energy audits. During the Year, these factories adopted recommendations set out in the audit reports and implemented a number of energy-saving and emission-reduction measures. In addition, the Group actively shared best practices and promoted feasible and effective measures across all factories to holistically enhance overall energy management and emission reduction performance.

Renewable Energy

In recent years, the Group has been actively adjusting its energy mix by substantially reducing the use of fossil fuel and introducing various types of green energy, including solar projects and green power agreements in various regions. As a result of these continued efforts, our renewable energy usage accounted for approximately 21.44% for the Year.

Solar-powered water heater

Yifeng factory has installed solar water heater, saving approximately 53,000 kWh of grid electricity annually.

Solar-powered streetlamps

Hubei, Huilai, Yifeng and ENI factories have installed solar-powered streetlamps in their factory areas, collectively saving approximately 133,000 kWh of grid electricity for the Year.

Rooftop solar power facility

The 0.6 MW rooftop solar power facility at Shantou factory was commissioned in mid-2022, which saved approximately 602,000 kWh of grid electricity for the factory during the Reporting Period; the 1.1 MW rooftop solar power facility at Yifeng factory was commissioned towards the end of 2022, which saved approximately 1,054,000 kWh of grid electricity for the factory during the Reporting Period; and the 4.7 MW rooftop solar power facility at ELA factory is the largest within the entire Group, which saved approximately 3,054,000 kWh of grid electricity for the factory during the Reporting Period.


TIGRs

PLN

TIGR Registry Certificate of Retirement

PT GELINDO GARMENTAMA

Total RECs Retired: 116

APX

Signing power purchase agreements (PPA)

ENI and PGG factories continued to sign long-term PPAs with local utility companies for the Year to supply green electricity with REC for all the electricity consumed in their factory areas. During the Reporting Period, they purchased approximately 2,710,000 kWh of geothermal energy and approximately 1,603,000 kWh of hydraulic energy in aggregate.

3.4.3.3 GHG Metrics

To further enhance disclosure transparency and comparability, the Group has quantified and disclosed its GHG emissions performance during the Reporting Period in accordance with the ESG Reporting Code and relevant international standards. The following section presents the Group's GHG emissions by scope, as well as emission intensity data, serving as important bases for monitoring emission reduction progress and assessing climate-related risks and opportunities. The Group has followed internationally recognised GHG accounting standards in the quantification process to ensure data accuracy and credibility. Furthermore, considering that data collection for Scope 3 calculations involves upstream and downstream activities across the value chain, which is not only extensive but also requires the cooperation of stakeholders such as suppliers, customers and tenants, the Group believes it is appropriate to apply reasonable data exemption. During the Reporting Period, the Group was not aware of any material emissions in violation of pertinent environmental laws and regulations.

The Group's GHG emissions are calculated as follows:

	Total annual consumption	
Major sources of GHG emissions	**2026**	**2025**
Diesel consumption (litre)	94,856	55,127
Gasoline consumption (litre)	78,998	89,736
Electricity consumption (kWh)	33,058,637	26,779,529
Annual production volume (piece)	30,504,181	27,878,322
Total GHG emissions (tonne of CO_2 equivalent)	**18,632**	**14,472**
GHG emissions intensity (gram of CO_2 equivalent/piece)	**610.80**	**519.13**

Total GHG emissions[3]
18,632
tonnes of CO_2 equivalent

Direct GHG (Scope 1) emissions[4]
1,135
tonnes of CO_2 equivalent

Energy Indirect GHG (Scope 2) emissions[5]
17,497
tonnes of CO_2 equivalent

[3] The global warming potential (GWP) values used in GHG calculations are based on those in IPCC AR6.

[4] Direct GHG was mainly generated from gasoline and diesel consumption of vehicles; the calculation method was based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

[5] Energy indirect GHG was mainly generated from indirect emissions of purchased electricity; electricity indirect emissions in Chinese Mainland were computed by reference to the "Benchmark Emission Factors for Regional Power Grids" published by the National Development and Reform Commission (NDRC) of the People's Republic of China; emissions in Hong Kong were computed by reference to emission factors published by the power company in its sustainability report; and emissions in Vietnam and Indonesia were computed by reference to the average emission factors for the region published by the Institute for Global Environmental Strategies (IGES).

Assets Vulnerable to Climate-related Transition and Physical Risks

During the Reporting Period, the Group conducted assessments in respect of transition and physical risks. The results indicated that there were no assets materially affected, either in percentage or in amount, by climate-related transition and physical risks.

Business Activities Involving Climate-related Opportunities

The Company regularly uses revenue as an indicator and categorises products into "green" and "general" types based on their nature to assess the applicability of green product revenue disclosure. During the Reporting Period, it was determined that such disclosure was not applicable after assessment.

Capital Deployment

During the Reporting Period, the Group did not incur any climate-related capital expenditures, nor did it obtain any climate-related financing.

Internal Carbon Prices

During the Reporting Period, the Group did not apply an internal carbon price in its decision-making. If necessary, the Group will explore the application of internal carbon pricing to support the financial assessment of climate-related risks and opportunities and to facilitate the transition to a low-carbon economy.

Remuneration

During the Reporting Period, the Group did not factor climate-related considerations into its remuneration policy. We will regularly explore the compatibility of linking climate targets to remuneration with our business model, and report on this in a timely manner.

Industry-based Metrics

During the Reporting Period, the Group reported its climate performance in accordance with the climate-related disclosure requirements of the Stock Exchange.

CHAPTER
04
Social Aspects

4.1 Employment

The Group regards its employees as its most valuable core asset. We strictly comply with all applicable employment laws and regulations and have established equal opportunities and anti-discrimination policies to ensure that every employee receives fair treatment and equal opportunities and his/her choices and rights are duly respected. The Group is committed to fostering a diverse, inclusive and vibrant working environment where employees develop a strong sense of belonging, and to attracting and retaining outstanding talents. During the Reporting Period, the Group was not aware of or brought to the attention of any incidents of non-compliance or cases of complaint regarding discrimination or recruitment.

4.1.1 Recruitment and Promotion

The Group does not require a job applicant to disclose personal information irrelevant to the job position or not legally required, such as his/her religious belief, in the course of recruitment. We base our employment decisions solely on professional competence and strictly prohibit discrimination on the grounds of gender, ethnic origin, race, background, religious belief, marital status, sexual orientation, nationality, political views or any other protected characteristics in the recruitment and employment process.

The Group treats all employees equally and makes fair decisions regarding recruitment, remuneration, benefits, rewards, promotion and dismissal based solely on educational background, professional qualifications and competence, whilst ensuring equal treatment for both male and female employees.

As a responsible employer, we are committed to protecting women and employees and to complying with related international conventions, such as International Labour Organisation (ILO) Convention No. 190: Eliminating Violence and Harassment in the World of Work. We also recognise and implement the ILO Convention 111: Discrimination in Employment and Occupation, and support for the Convention of the United Nations: Elimination of all Forms of Discrimination against Women.

Certificate of Completion for VF GROW Program

Huilai factory has completed Gender Responsive Opportunities at Work (GROW) Program from one of the Group's major customer "VF Corporation" and has been awarded a certificate of completion, which helps enhance capabilities in optimising labour rights, vocational training and the working environment.

"Project Excellence Award" Certificate

Yifeng factory received the Project Excellence Award from Nike Retail Supply Chain (RSC) Greater China, in recognition of outstanding performance in promoting fair labour practices and enhancing employee well-being.

Social & Labour Convergence Program (SLCP) Assessment

Shantou, Yifeng, Hubei, ENI, PGG, PKI, EAV, and ELA factories have actively adopted the SLCP assessment framework and through data sharing platforms to provide global brand customers with transparent and third-party-verified data on social responsibility and labour practices.

4.1.2 Remuneration and Benefits

The Group ensures that employees receive fair and competitive remuneration. The remuneration and benefits structure is based solely on competence and performance, regardless of gender.

The Group strictly complies with local employment laws, and pays an employee a salary not less than the minimum wage prescribed under the applicable laws. Overtime wages are calculated and paid in accordance with relevant regulations. In addition, employees are entitled to all statutory paid holidays, such as festive holidays, annual leaves and work-related injury leaves. We also provide our employees with mandatory benefits, such as social insurance and labour insurance, in accordance with local regulations.

In addition to statutory basic benefits, the Group provides a diverse range of additional benefits to demonstrate its care and support for employees. These benefits are tailored to the needs of employees in different divisions, including additional paid leave, supplementary employee insurance, incentive bonuses (such as full attendance bonuses), free dormitory, free lunch, commuting shuttle services, training allowances, and other non-statutory leave. Each operating division regularly reviews and optimises its benefit policies to align with local regulations and employee needs.

During the Year, ELA factory engaged a third-party professional organisation to provide vision testing and eyewear fitting services for its employees. Through on-site vision screening, consultations with optometrist, and the provision of prescription glasses, the programme helped employees address work-related difficulties caused by vision problems. The results showed that approximately 57% of the employees screened required vision correction, and had been provided with suitable eyewear, effectively improving their daily work performance and quality of life. Follow-up surveys also indicated that improved vision helped reduce fatigue and headaches, enhanced reading and fine-task capabilities, and further contributed to production efficiency and product quality.

Employment Statistics

The total number and distribution of the Group's employees as at 31 March 2026 are as below:

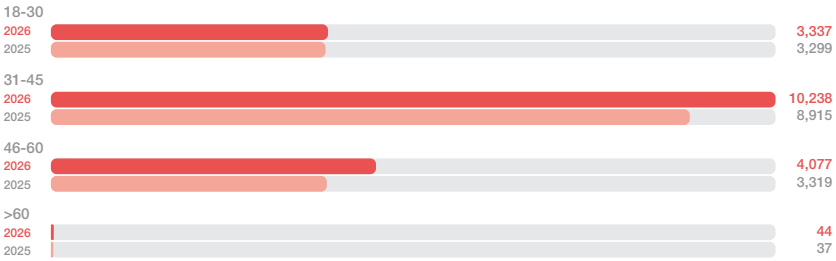
Total headcount for 2026	Total headcount for 2025	Year-on-year increase
17,696	15,570	+2,126
↑ 13.7% vs 2025		

By gender

Male
- 3,642/3,305
2026/2025

Female
- 14,054/12,265
2026/2025

By age group



By employment type

Full-time 2025: 15,570 | +2,126	17,696
Part-time 2025: 0 | -	0

Note: The reporting scope for the Year covers 11 locations of operation, representing an increase of one factory compared to the previous year. Changes in the reporting scope may affect the comparability of data between reporting periods, and year-on-year variations may not solely reflect changes in operational performance.

By location

Location	2026	2025	Increase/decrease
Chinese Mainland	7,514	7,638	-124
Vietnam	5,415	3,046	+2,369
Indonesia	4,684	4,805	-121
Hong Kong, China	83	81	+2
Total	**17,696**	**15,570**	**+2,126**

Average Monthly Employee Turnover Rate

The employee turnover rate for the Year, analysed by gender, by age group, and by location, is summarised in the table below:

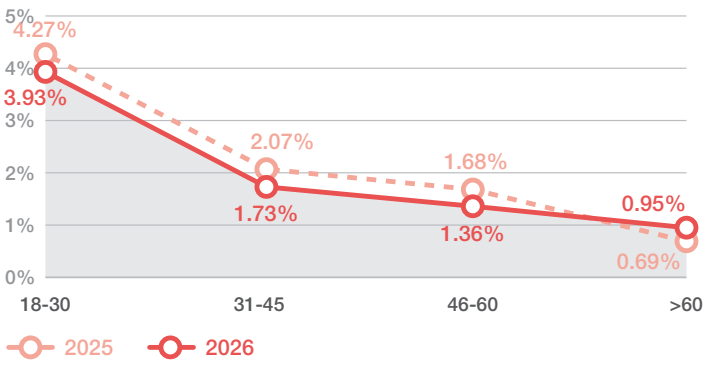
Average turnover rate for 2026	Average turnover rate for 2025	Year-on-year change
1.88%	2.22%	-0.34%

By gender

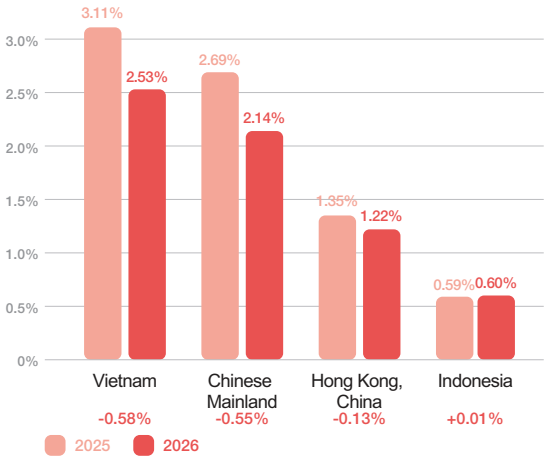
Male
2.43%
for 2026
2025: 2.36%
▲0.07%

Female
1.77%
for 2026
2025: 2.20%
▼0.43%

By age group



By location



4.2 Health and Safety

4.2.1 OHS Management

The Group firmly believes that the health and safety of its employees are prerequisites for business success, and has always upheld safe production as its core value. We operate in persistent compliance with all pertinent laws and regulations, and have established a comprehensive safety management system and developed OHS policies. Meanwhile, we provided clear workplace safety requirements for all our factories, and fully incorporated health and safety considerations into all business operations, enabling continuous improvement in OHS performance. While creating a safe and healthy working environment for our employees, we also effectively reduce production risks arising from work-related injuries.

The Group's commitment to safety goes beyond compliance with laws and regulations. To achieve safety under the principle of sustainability, we have for many years been strengthening our occupational health and safety management through the following initiatives:

Safety culture maturity

Leveraging on the three pillars of leadership, processes and people, we roll out the safety culture maturity programme to continually elevate safety performance and strengthen employee safety awareness.

Multi-year safety targets

Aligning with industry trends, we have formulated multi-year safety objectives and plans, and established a dedicated safety team to carry out periodic monitoring and site inspections.

Digital safety management

We upgraded our internal data platform to track safety performance and injury data, and identify areas for improvement.

Regulatory compliance tracking

We have introduced a third-party regulatory management tool to enhance the completeness of regulatory tracking, and recorded zero non-compliance cases this year.

ISO45001 Certification

Yifeng, Hubei and PKI factories attained ISO45001 OHS Management System certification, reflecting the Group's safety management in line with international standards.

"Class III Enterprise (Textile) in Work Safety Standardisation" Certificate

Hubei factory was awarded "Class III Enterprise (Textile) in Work Safety Standardisation" certificate by Jingmen Emergency Management Bureau in recognition of the factory's work safety efforts.

"H&S Achievement Award" Certificate

Yifeng factory received the "H&S Achievement Award" from Nike Retail Supply Chain (RSC) Greater China, recognising outstanding performance in occupational health and safety.

RoSPA "Health & Safety Awards - Gold Award" Certificate

Hubei factory was awarded the "Health& Safety Awards – Gold Award" certificate by the Royal Society for the Prevention of Accidents (RoSPA), reflecting that it has achieved world-class standards in safety leadership, risk management systems and accident prevention effectiveness.

"Workplace AIDS Prevention Award" Certificate

ENI factory received the "Workplace AIDS Prevention Award" certificate respectively from the Governor of Banten Province and the Minister of Manpower of the Republic of Indonesia, recognising its outstanding performance in promoting occupational health and safety as well as implementing comprehensive workplace infectious disease prevention and control programs.

"HSE Committee Excellence Achievement Award" Certificate

ENI factory was granted the "HSE Committee Excellence Achievement Award" certificate by the Governor of Banten Province, Indonesia, recognising its outstanding performance in promoting workplace safety, preventing occupational hazards and implementing safety production management systems.

4.2.2 Workplace Safety

To foster a safe workplace environment, the Group has adopted a preventive strategy which seeks to eliminate the occurrence of hazards through source management by the following four ways.

Safety Setup

We strictly comply with relevant laws and regulations in the planning and installation of fire prevention and electrical equipment at our factories, and designated personnel are assigned to carry out regular safety patrols and rectification. During the Year, the Group gradually digitalised its safety work by adopting an online safety system that recorded data in real time, which not only reduced paper consumption but also enhanced the efficiency of data integration and analysis across our factories. Our factories conduct risk assessments on the plant areas and their surrounding areas and third-party suppliers are hired to inspect the safety and integrity of the buildings on a regular basis. To further reduce preventable safety hazards relating to structure, fire incidents and electricity supply, four of the Group's factories (PKI, EAV, ELA and ENI factories) participated in the Life and Building Safety Initiatives ("LABS"), an industry-driven programme aimed at improving factory safety standards, helping identify potential hazards and providing sustainable solutions to enhance workplace conditions. Through on-site examinations and professional instruction by third-party consultants, our factories are able to deploy their safety facilities according to a better standard than legally required. In particular, PKI, EAV and ENI factories attained graduation certificate after successfully completing all processes.

Environmental Hygiene

In accordance with laws and regulations, the Group engages third-party testing and inspection service providers on a regular basis to conduct various environmental tests and inspections, such as noise level, air quality and drinking water quality, to ensure that all environment factors comply with relevant standards such that employees could feel at ease at work. To identify potential health risks, the Group arranges mandatory health examinations for employees in hazardous positions in full compliance with relevant regulations. The hazardous positions include those exposed to high noise levels, dusty environment, laser operations, chemicals and waste, typically involving processes such as down filling, cutting, embroidering and patterning (operation of laser template machines), among others. During the Year, health screenings were conducted for 4,579 employees in hazardous positions, with no cases of occupational diseases detected. Apart from potentially hazardous positions, some factories (such as the factories in Indonesia and Vietnam) implemented universal health checks for all employees in accordance with relevant local laws and regulations.

Prevention of Job Hazards

The Group reviews the safety risks associated with each job position on a continuous basis and requires employees to follow the standard operating guide at work. Machinery purchased by the Group must fulfill safety requirements and meet specific standards before being put into operation. We also conduct various risk assessments on a regular basis, such as job hazard analysis, machinery risk assessment and chemical risk assessment, among others. Employees have been provided with appropriate personal protective equipment ("PPE") free of charge. Employees at work must put on the PPE required by their positions correctly in accordance with the standard operating guide.

Safety Behavior Observation

In addition to eliminating environmental hazards, the Group is committed to reducing unsafe behaviors of employees to foster a safer workplace. To enhance safety awareness among employees, we piloted the Safety Behavior Observation Programme at our factories in Chinese Mainland during the Year. A total of 87 on-site behavior observers were appointed to record and correct unsafe practices of employees. We also combined job hazard assessments and unsafe behavior analysis to further strengthen our organization-wide safety culture by posting and promoting the potential consequences of unsafe behaviors.

4.2.3 Health and Safety Training

The Group actively promotes the safety culture in a joint effort with its employees to build a safe workplace. To maintain safe production in a consistent manner, we review our safety training programmes on a regular basis and endeavour to develop safety talents and comprehensively enhance the safety awareness of employees through various internal as well as external training programmes. During the Reporting Period, the Group introduced trainings with the theme of mental health and provided employees with more comprehensive health and safety trainings.

4.2.3.1 Grooming Safety Management Personnel

The Group provides a diverse range of external training to enable employees to learn professional safety knowledge and best practices in the industry. Some of the training topics include machinery safety, occupational hygiene, safety culture, workplace safety and safe conduct, among others.

To support the Group's directive of achieving modernisation in production, its factories have been actively grooming talents to advance machinery safety management. As at 31 March 2026, the Group has 8 Certified Machinery Safety Experts ("CMSE") who conducted regular risk assessments for the factories' machinery as well as participated in safety training.

To enhance the management of chemicals, the Group continuously monitors and implements the management of chemicals in accordance with MRSL and RSL. We also encourage our factories to participate in occupational hygiene courses organised by third parties on preventing risks associated with improper use of chemicals. As at 31 March 2026, a total of 12 employees of the Group completed training and obtained relevant certificates.

4.2.3.2 General Enhancement of Safety Awareness among Employees

Our factories provide appropriate safety training for employees based on the safety requirements of individual job positions and leveraging on external resources to ensure that employees have a clear understanding of safety matters relevant to themselves. Moreover, on-site safety instructors have been stationed at the factories to provide employees with updates and relevant safety training on a regular basis, to enhance employees' safety awareness and make safety an important cornerstone of sustainable development decisions.

Our factories arrange training for both incumbent and newly recruited employees in accordance with local laws and their operational requirements. Health and safety training organised by our factories during the Year can be broadly classified into four categories as follows:

Fundamental Management on Health and Safety

Providing training on occupational health and safety management and fundamental knowledge, learning to identify job hazards and conduct risk assessments, proper use of PPE and general safety awareness, occupational health and employee well-being as well as information on environmental hygiene precautions of factories.

Safe Operation of Equipment

Providing training on safe machine operation and guidelines on risk mitigation. For some special positions (such as electricians, forklift operators), training must be completed, and qualification certificates must be obtained in a timely manner in accordance with local regulations.

Handling of Chemicals and Other Hazardous Substances

Providing safety training on waste and chemicals management, covering the procurement, transportation, storage, use, and final disposal of relevant items. Regular chemical spill drills are also held to ensure that employees are capable of responding to such situations.

Fire and Emergency Measures

Providing fire safety education and emergency response procedures (including first aid training). In addition, regular firefighting drills are conducted in compliance with local regulations to ensure that employees are capable of responding to relevant situations and using relevant emergency equipment.

During the Year, the average number of participants and total training hours of our OHS training programs reached 8,855 individuals and 127,942 hours, respectively. This represents an increase of 1,937 participants and 52,042 hours compared to the previous year. As the reporting scope has expanded to include eleven locations of operation, the Group continues to enhance its safety training efforts by covering a broader range of training topics, thereby further raising safety awareness among its employees and strengthening safety management capabilities.

OHS Training

Number of participants in training for the Year[6]

8,855

(+28.00%)

Total training hours for the Year

127,942

(+68.57%)

4.2.3.3 Safety Initiatives

In addition to safety training, our factories share safe information in engaging and creative ways; and by organising a wide range of safety campaigns to promote a vibrant workplace environment.

Family Open Day for Employees

Safety Competition

Health Workshop & Free Medical Consultation

Safety Model Award Ceremony

Safety & First Aid Training

[6] The figure represents the average number of participants in training for the Year, calculated by taking the monthly average number of training participants across all operating locations during the Reporting Period.

4.2.4 Interaction and Communication with Employees

The Group is concerned about the health and safety of employees. Our factories establish various channels for communication to assist employees in dealing with difficulties encountered in daily life and at work as well as safety issues. Employees may file complaints or request counselling via phone calls or in writing to voice their discontent regarding current work allocation, management measures and reward system, among others, as well as any psychological distress resulting therefrom.

4.2.5 Safety Performance

During the Reporting Period, the Group was not aware of any non-compliance with local occupational health and safety laws and regulations. No incidents of employees' fatality caused by work-related reasons occurred during the past three years including the Reporting Period.

The Group places strong emphasis on employees' occupational health and safety, and continuously strengthens relevant trainings and preventive measures to reduce the risks of work-related accidents. Through strengthening safety trainings, enhancing the risk identification and control capabilities and promoting the development of a safety culture, the Group effectively improved the overall working environment and safety performance. During the Reporting Period, the loss of work days due to work injuries significantly decreased by approximately 47.64% compared to last year, reflecting the effect of relevant safety management measures. In the future, the Group will continue to review and improve occupational safety strategies and strive to further reduce work-related accidents. The Group's loss of work days due to work injuries sustained by employees are as follows:

	2026
Number of fatality caused by work-related reasons	0
Loss of work days due to work injuries	489

4.3 Development and Training

The Group has established standardised procedures for designing employee training programmes, supervising the implementation process and assessing employee competence development and training effectiveness. All employees are provided with equal access to career development and promotion opportunities.

To enhance employees' professional knowledge and working skills, the Group developed tailored training courses based on specific role requirements, such as:

- For management personnel: laws and regulations on quality as well as management theories and practices
- For technical personnel: technical knowledge and standardised operational procedures
- For quality control personnel: quality control techniques and inspection methods

Induction training for new employees is subject to flexible adjustment depending on the ability and experience of the new recruits, who will undergo appraisal upon conclusion of the probation period to ensure compatibility of his/her abilities with the position.

Training implementation may take one or a combination of the following forms: internal training sessions with mentoring by veteran employees; external training, and internal training delivered by externally engaged experts. Candidates for specialised positions (such as electricians, pattern makers and quality control personnel) must obtain relevant certificates or qualifications before they are officially appointed.

The Group conducts a comprehensive assessment of the effectiveness of training implementation and appraisal results each year. Based on operational development priorities (such as technological innovation, equipment upgrades, and higher quality standards from customers), the Group formulates training plans for the following year, to support both employee career growth and business development for the Group.

The following tables set out the total number of employees trained and the total training hours for the Year, analysed by gender and employee category, as well as the average monthly proportion of employees trained as a percentage of the total employee headcount and the monthly average of training hours per employee:

Number of employees trained for the Year[7]		
Gender	**2026**	**2025**
Male	2,134	1,626
Female	8,632	7,223
Employee Category		
Senior Management	92	77
Middle Management	892	745
Junior Employees	9,781	8,026
Total enrolment	**10,766**	**8,848**

[7] The figure represents the average number of participants in training for the Year, calculated by taking the monthly average number of training participants across all operating locations during the Reporting Period.

Average monthly percentage of employees trained (%)		
Gender	**2026**	**2025**
Male	55.11	48.44
Female	55.98	49.14
Employee Category		
Senior Management	56.45	44.68
Middle Management	67.56	56.46
Junior Employees	54.86	48.22
Overall average	**55.71**	**48.72**

Total hours of employee training (hour)		
Gender	**2026**	**2025**
Male	36,515.81	23,094.64
Female	142,335.02	99,998.41
Employee Category		
Senior Management	1,387.22	1,068.98
Middle Management	13,025.67	8,873.46
Junior Employees	164,465.34	113,190.60
Total hours	**178,878.24**	**123,133.04**

Monthly average of training hours per employee		
Gender	**2026**	**2025**
Male	0.94	0.77
Female	0.76	0.59
Employee Category		
Senior Management	0.70	0.84
Middle Management	0.84	0.59
Junior Employees	0.78	0.61
Overall average	**0.78**	**0.61**

4.4 Labour Standards

The Group strictly complies with relevant labour laws and regulations and prohibits the employment of labour below the legal working age. All job applicants must provide legally valid age verification documents and complete authentication during the recruitment process.

The Group prohibits the use of forced labour of any kind (including but not limited to prison labour, indentured labour, bonded labour, etc.). Under no circumstances will the Group withhold the original identity card of an employee or require an employee to pay deposits or deduct an employee's wages against employment related costs and expenses, such as work visa, medical examination, work permit and fees charged by agents and recruitment agencies.

Employees may work overtime if they wish. Any overtime work beyond normal working hours is requested by the employees on a voluntary basis subject to the daily overtime limits imposed by local regulations. The Group closely monitors any potential violations and ensures that employees have the right to move freely within the work premises during working hours.

In the unlikely event that any child labour or forced labour incident is identified, the Group will address and rectify such violations in compliance with the local laws of the respective regions.

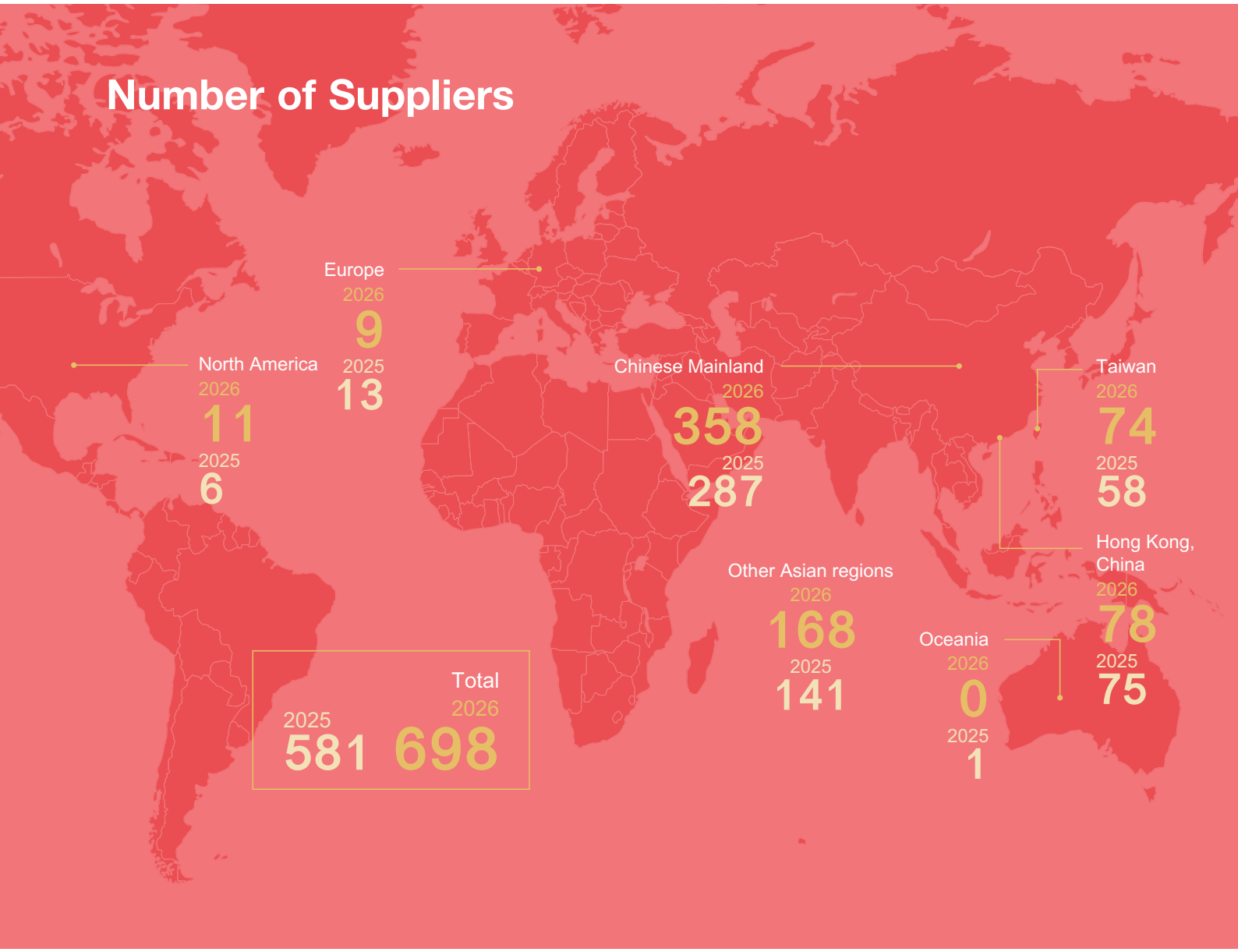
Upon verification, no instances of illegal child labour or forced labour were identified within the Group during the Reporting Period.

4.5 Supply Chain Management

The Group requires all suppliers to strictly comply with the Code of Conduct for Suppliers, which clearly stipulates compliance requirements for suppliers in terms of service performance, product safety, and quality standards.

4.5.1 Distribution of Suppliers

During the Reporting Period, the Group engaged 698 suppliers distributed in the following geographical regions:



4.5.2 Assessment of Suppliers

The Group implements a rigorous supplier management mechanism and continuously monitors key performance indicators, including product quality, on-time delivery rate, exception handling efficiency, customer feedback responsiveness, and service levels. Except for customer-designated suppliers, the Group has established a systematic evaluation process that covers multi-dimensional measures, such as product sampling inspection, historical quality data analysis, and dynamic compliance reviews, to ensure the supply chain partners' consistent compliance with the Group's standards.

All new suppliers (other than those designated by customers) must pass our primary evaluation, which covers quality, service and timeliness of delivery, with materials testing and examination of documentation as basis for evaluation. The Group has coordinated procedures with new suppliers and monitors relevant raw materials and semi-finished products in accordance with the quality and technical requirements of customers.

The Group has assessed the performance of existing suppliers (with the exception of those designated by customers) using a consistent assessment mechanism during the Year. Suppliers which do not meet the assessment requirements are suspended by the Group until corrective actions are completed and compliance is achieved. In exceptional circumstances, the Group may discuss with customers and adjust the criteria for the selection and supervision of suppliers.

4.5.3 Control of Environmental and Social Risks in the Supply Chain

The Group gives priority to suppliers that meet environmental standards, and thoroughly assesses their emission, pollution levels, and other potential environmental impacts. At the same time, operational compliance of business partners in the supply chain is reviewed in a rigorous manner and assessment is made on their relevant social risks, such as employment compliance and safety compliance of employees, among others. During the Reporting Period, the Group adopted the following methods to manage risks in the supply chain:

- Using testing methods to ensure compliance of materials provided by suppliers with relevant environmental or safety standards (such as OEKO-TEX relating to the ecological safety of products, the EU REACH regulations for registration, evaluation, authorisation and restriction of chemicals and the RSL requirements);
- Investigating suppliers' environmental compliance on the internet (such as the IPE);
- Giving priority to suppliers who have attained environmental or energy management certification (such as ISO14001 and ISO50001);
- Giving priority to suppliers who have attained qualification relating to social responsibility (such as ISO45001, BSCI, RBA, SA8000, SLCP and WRAP); and
- Conducting survey with questionnaire or on-site assessment on the environmental performance and social responsibility of those engaged suppliers.

4.5.4 Green Procurement

Other than production materials and equipment designated by customers, subject to operational requirements, the Group gives preference to materials and equipment with eco-friendly features. Materials are considered ecofriendly given that they are natural, non-hazardous, environmentally certified, or made of eco-friendly materials. Currently, green procurement covers fabric and accessories. For example, the Ecodown made of 100% recycled polyester fibres is used as filling cotton. All solvents used by Hubei factory in its printing process are eco-friendly materials which have passed testing on hazardous substances, including level of formaldehyde, heavy metals, octylphenol ethoxylate (OPEO), octylphenol (OP) and organotin compounds contained. Some production contracts signed with customers include terms stipulating the use of suppliers and materials that comply with the Global Recycled Standard ("GRS") and the Bluesign environmental standard for textile products, among others.

When selecting energy-consuming equipment, priority is given to products which have attained energy-saving certification or high-efficiency energy labels, such as energy-saving machinery and LED lighting. Subject to the availability of viable alternatives, we only purchase new equipment with Class I energy efficiency. The Group has adopted eco-friendly refrigerants in its air-conditioning systems, such as the use of R32 and R407C.

Apart from the procurement of materials, the Group has also modified the method of handling orders with suppliers by adopting the Electronic Data Interchange ("EDI") mode for placing orders via electronic documents in replacement of traditional paper-based order documents to avoid undue paper consumption.

Moreover, the Group has formulated a local procurement policy as a part of its green procurement. Given equivalent quality, priority is given to products and services provided by local suppliers, with a view to reducing the generation and emission of GHG in the process of procurement and transportation. During the Reporting Period, the number of local suppliers accounted for 49% of the total supply base.

4.6 Product Responsibility

Through the employment of state-of-the-art technologies and effective quality control techniques, the Group ensures that every product manufactured fulfills the functional requirements of its customers and relevant product safety and quality standards, such as AATCC158, AATCC135, AATCC179, AATCC8 and ISO1308. Finished products are kept in a securely guarded location to prevent theft or smuggling.

ISO9001 Certification

Shantou, Yifeng, Hubei, Foshan, ENI, PGG and EAV factories have obtained the ISO9001 Quality Management System certification, to ensure end-to-end compliance with customers' requirements and applicable national and industry standards for product quality from the stages of incoming materials to product dispatch.

Responsible Down Standard ("RDS") Certificate

In addition to ensuring compliance of products with relevant safety and quality standards, the Group also practices responsible sourcing and strictly adheres to environmental and ethical operational codes. Our factories recorded animal well-being information and ensured the traceability of down products in accordance with the certification requirements of RDS, aiming to reduce the pain suffered by ducks and geese when they have their feathers removed, in a bid to fulfill their due responsibility for animal protection.

AEO Certificate

The Group is committed to obtaining certification relevant to its products and processes for recognition of its compliance. Examples of certifications include the continued qualification of "AEO Advanced Certified Enterprise" awarded by the Customs of the People's Republic of China to the Group's factories at Shantou, Yifeng, Hubei and Huilai.

A comprehensive mechanism for handling complaints has been established. Upon receipt of a customer's complaint or request to return defective products, the case would be passed to the department in charge of investigation and analysis. Upon verification, rectifications would be formulated and implemented within a stipulated time frame. The customer will be informed of the outcomes and corresponding solutions.

The Group was not aware of any legal violation pertinent to product responsibility or customer complaints during the Reporting Period. Also, no cases of product recall necessitated by product safety and health reasons have been identified out of the total number of products sold.

4.6.1 Quality Control for Raw Materials

Inspections of raw materials are carried out based on approved samples and in accordance with the sampling standards of customers. Only materials endorsed by third-party certification will be purchased. Raw materials with metal contents will undergo testing for verification of such contents. Raw materials meeting required standards would be dispatched for use in production, while non-conforming materials would be processed and handled according to designated procedures.

4.6.2 Quality Control for Semi-finished Products

All semi-finished products are subject to quality control procedures and all cut pieces are required to undergo 100% inspection. Non-conforming cut pieces are promptly rectified with colour-matched replacements.

4.6.3 Quality Control for Finished Products

The Group develops prototype samples for all products prior to mass production and holds a meeting for all production lines prior to mass production to confirm the manufacturing requirements. The first prototype sample of a product must be approved by both the quality manager and the production manager before mass production. Every finished product from mass production process is subject to inspection by quality control personnel and remedies are promptly made in case of any defects for re-inspection. Data of non-conforming products are systematically analysed and continuous improvements are made to enhance product quality through the application of reliable quality control tools by the Group.

Upon completion of the manufacturing process, finished products are sent to testing agencies or customer-approved internal laboratories for verification of their safety and quality criteria. After inspection, products are packed and stored in the warehouse. Prior to shipment, products are inspected in accordance with the sampling standards as specified by customers. Products would only be dispatched for shipment after their quality has been confirmed by test results.

4.6.4 Monitoring of Product Safety

To prevent the leftovers of any residual sharp metallic elements in the products, a metal restricted area where the use of unauthorised metal tools is prohibited has been set up for all key production processes. Metal tools are registered and kept under lock. The use and delivery of such tools in daily operations is managed by designated personnel and the replacement of broken needles is recorded. The products stored in warehouse must pass metal detection tests before packaging.

4.6.5 Protection of Intellectual Property Rights

The Group ensures that customer information would only be circulated internally within the Group. Employees are strictly prohibited from disclosing customers' design information and product specifications to external parties. The following measures have been adopted by the Group to prevent the leakage of customer information:

Restrictions have been set for e-mail accounts to allow correspondence with designated customers and suppliers only. Access is granted, to the extent appropriate, based on the requirements of different departments. Downloading data from the Group's computers to external devices such as universal serial bus ("USB") drives or mobile phones is strictly prohibited, as data transmission through USB drives and external e-mail correspondence are under stringent control. Devices not registered with the Group are prohibited to connect to its internal network.

An authorisation mechanism has been implemented to restrict access to relevant information exclusively to authorised personnel. Access to customers' drawings is centrally authorised and managed by the Information Technology Department. Information of customers' products is centrally managed through the Enterprise Resource Planning ("ERP") system and accessible by authorised personnel only. The design information, approved fabric and samples of all customers are received by dedicated personnel of the Group, who will encrypt such information upon receipt.

The Group formulates confidentiality agreements binding its employees. It provides trainings on information security to personnel allocated with computers, and the training topics include instructions on computer logins, change of passwords, permission to access shared directories and related precautions, document management, and rules for sending and receipt of emails, among others. Unauthorised employees and visitors are not allowed to take photographs of the products while any relevant photographs taken must not be distributed to unauthorised personnel.

The Group respects the intellectual property rights of other parties and ensures that all commercial software is legally in use and properly licensed.

4.6.6 Privacy Protection of Consumers' Information

The Group is not required to formulate a policy on consumer privacy, given that its products are not delivered to end consumers directly.

4.7 Anti-corruption

The Group has established an anti-corruption management system to regulate the conduct of all employees. They are prohibited from taking advantage of their positions to receive gifts, bribes or any payment in kind; embezzling properties or funds; soliciting gifts from suppliers; or taking advantage of the procurement process to seek personal gains. No gifts can be accepted unless they have been authorised in accordance with the Group's policy and criteria.

4.7.1 Anti-Corruption Training for Employees

To ensure the effective implementation of the aforesaid systems and measures, the Group has arranged anti-corruption training for employees at all levels. The contents of training cover anti-corruption related topics such as education on integrity and anti-corruption awareness, business ethical behaviour, measures for fraud prevention and management measures for whistleblowing.

The Directors of the Group are responsible for supervising the Group's compliance and participating in corporate governance related training each year with topics including updates on the Listing Rules, Corporate Governance Code and anti-corruption rules and regulations, to deepen their understanding of the impact and implications of the new regulations on corporate development.

New employees are required to complete anti-corruption training and sign an anti-corruption pledge before employment commencement. The Group also provides the latest anti-corruption information and training for incumbent employees on a regular basis to remind them of compliance with the integrity code.

During the Year, the average number of participants and total training hours of our anti-corruption training programs reached 451 individuals and 2,720 hours, respectively. This represents an increase of 213 participants and 293 hours compared to the previous year. As the reporting scope has expanded to include eleven locations of operation, the Group continues to enhance its anti-corruption training efforts by covering a broader range of topics, thereby further raising employee awareness and enhancing anti-corruption management capabilities.

Anti-corruption training

Number of participants in training for the Year[8]

451

(+89.50%)

Total training hours for the Year

2,720

(+12.07%)

[8] The figure represents the average number of participants in training for the Year, calculated by taking the monthly average number of training participants across all operating locations during the Reporting Period.

Employees involved in the procurement process must avoid any conflict of interests that may compromise the integrity of their decisions. They are strictly prohibited from leveraging their positions to unduly restrict the pool of suppliers or contractors. All procurement processes must follow proper procedures, such as conducting price comparisons and open tenders.

For items not designated by customers, procurement is generally carried out through a comparison of three suppliers, evaluating credibility, qualification, product quality and price of each supplier based on the procurement principle of fairness and impartiality.

The approval procedure for service contracts is based on the Group's delegated authority framework, and the contracts are reviewed and approved according to the contract value.

The Group assesses its internal governance and corruption risks across all production and management processes, as well as other non-financial internal controls and risk management on a regular basis.

To comply with regulatory requirements and safeguard shareholders' interests, an independent third-party professional firm has been engaged to audit the Group's financial accounts to ensure a true and fair view of the accounts.

4.7.2 Whistle-blowing Procedure

The Group has established an internal communication mechanism to receive employees' opinions and complaints through multiple channels. Employees can lodge cases with the management through e-mail, hotline, WeChat, among others. The management will investigate the case on a confidential basis, update and report to senior management and stakeholders, and rectify as appropriate in time.

During the Reporting Period, the Group was not aware of any cases of legal non-compliance or complaints relating to corruption.

4.8 Contribution to the Community

The Group has always upheld the corporate social responsibility. Leveraging their own advantages and communication network, all operating locations maintain close communications with the stakeholders in the communities, learn about their needs and provide appropriate support, offer help and assist them in overcoming difficulties and promoting development. Over the years, community contributions made by the Group have covered extensive aspects such as poverty alleviation, supporting disaster relief, education sponsorships, community outreach, and volunteer services. The Group will continue to uphold its commitment and actively promote charitable initiatives through its employee-formed Eagle Nice Volunteers Teams as well as the Group's resources available for community support.

33% Community Festival Sponsorship

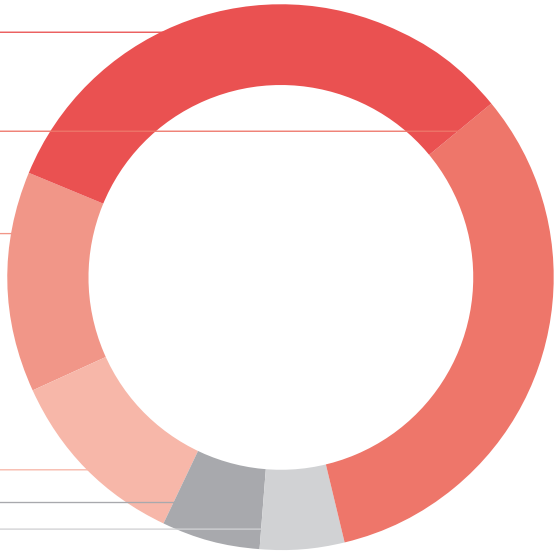
32% Support for the Vulnerable

13% Community Improvement Activities

11% Education and Capability Development

6% Disaster Relief

5% Health



Community Investment and Number of Beneficiaries in the Year

Approximately HK$ **1,690,000**
Cash and in-kind donations

Over **28,800**
Beneficiaries

During the Year, our Eagle Nice Volunteers Teams organised and took part in

66 community events

Number of volunteers for the Year: approximately

2,336

Contributed approximately

9,096 service hours