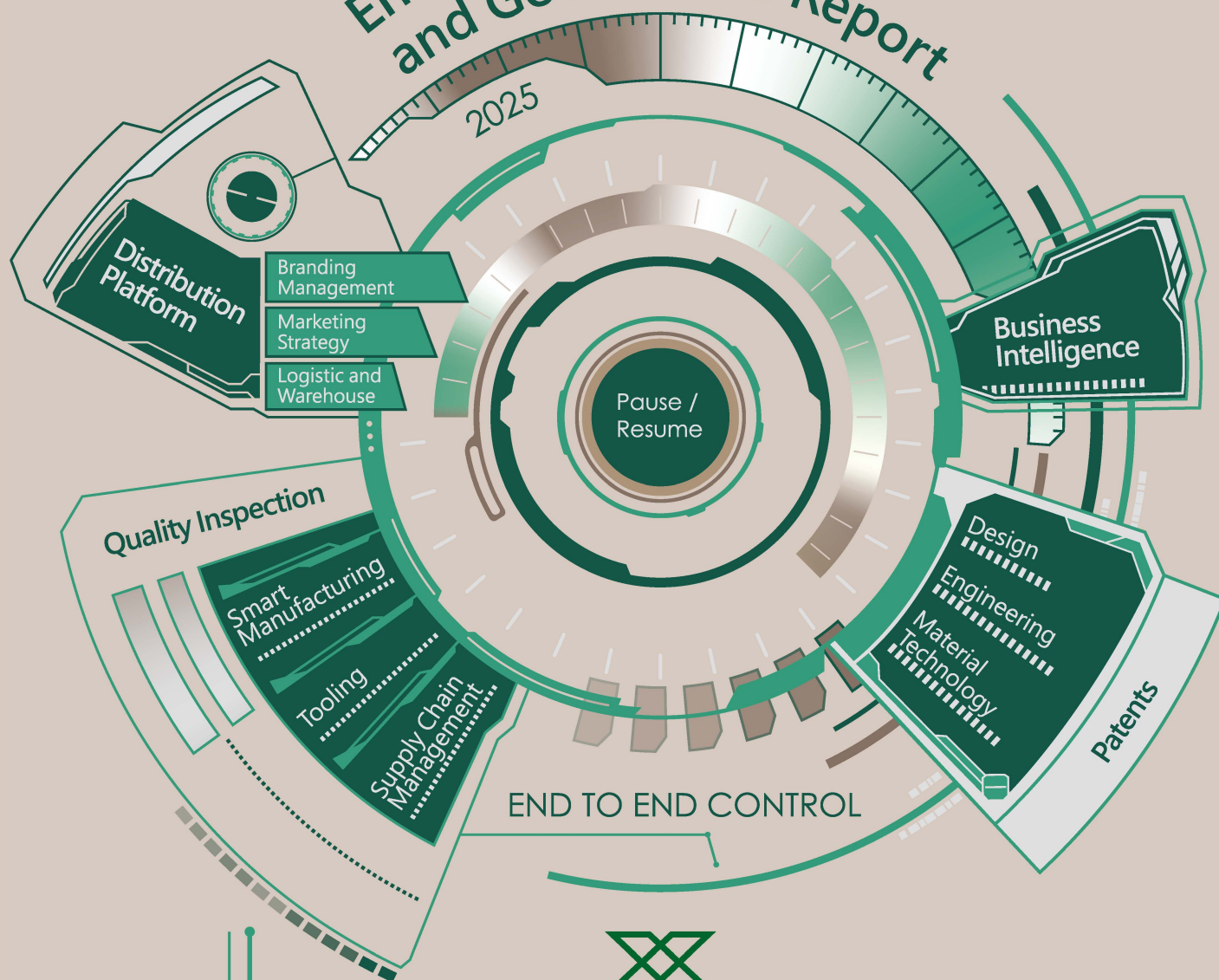


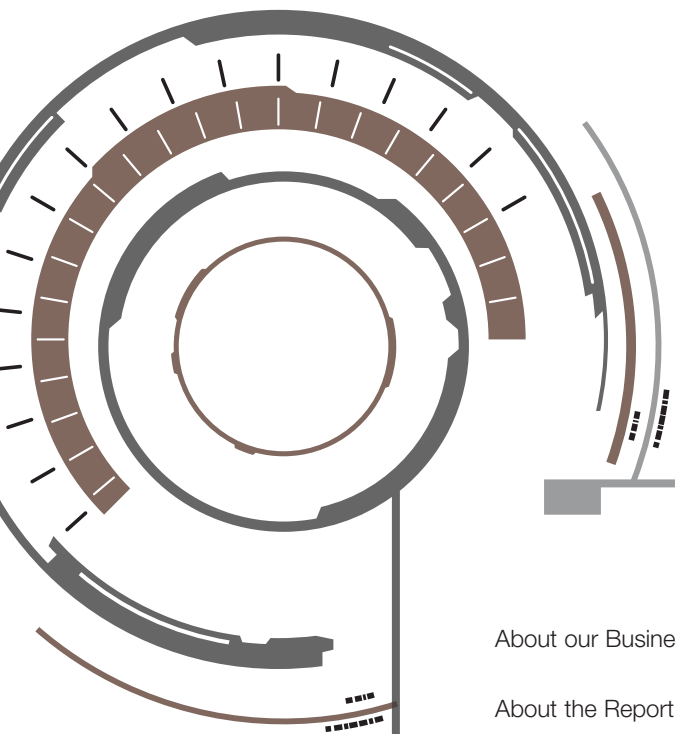
Environmental, Social and Governance Report



King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability Stock Code : 6822



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2025

ABOUT OUR BUSINESS

Established in 1989, King's Flair International (Holdings) Limited (referred to as "the Company", along with its subsidiaries, collectively known as "King's Flair" or "the Group") has developed into a global provider of integrated solutions for kitchenware and household products. The Group's service portfolio encompasses product design and development, manufacturing, quality assurance protocols, storage and logistics management, and targeted marketing and distribution networks. This comprehensive offering enables King's Flair to serve distinguished brands in the kitchenware and household goods markets across key regions, including North America, Europe, and Asia. The Group aims to provide quality one-stop services adhering to its five core values, including:

Trust

Earning trust is paramount to us. From the initial engagement with our clients to the timely and cost-effective delivery of our services—often surpassing expectations—we are dedicated to fostering confidence in our professional guidance, strategic market insights, transparent communication, and technical expertise. These elements are integral to driving our clients' success and establishing enduring partnerships.

Extra Care-and-Control

Supply chain management extends far beyond mere oversight of processes. We adopt a meticulous approach, combining thorough care with precise control. By maintaining rigorous oversight and gaining an in-depth understanding of the production process, we are able to foresee potential challenges and manage risks effectively.

Extra Creativity

We enhance the traditional Original Design Manufacturer (ODM) model by continually striving to think beyond the ordinary. Our focus is on developing innovative design solutions that elevate and differentiate every project we undertake.

Speed

To keep pace with the ever-changing demands of the consumer market, we are dedicated to creating a culture of agility and rapid expansion. Our focus is on ensuring seamless operations and upholding the highest standards of product excellence, all while responding effectively to market shifts.

Expertise

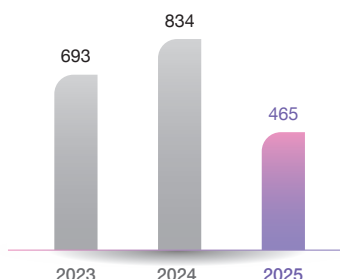
We continuously update our knowledge of new technologies and methodologies, stay informed about market developments, and gain insights into the latest market requirements and trends. This enables us to adjust our strategy and strengthen our competitive position in the marketplace.

In 2025, the Group navigated a challenging global environment marked by geopolitical tensions, US tariff uncertainties, and weakened consumer confidence. These factors led to a significant pullback in discretionary spending across our key North American market, with customers adopting a cautious approach and curtailing purchase orders. Consequently, the Group's total revenue decreased by 44.3% to approximately HK\$464.6 million, with a gross profit margin of 20.3%, resulting in a loss attributable to owners for the year ended 31 December 2025.

In response to these challenges, the Group is executing a strategic pivot to reinforce our proprietary product lines through innovative design and cutting-edge technology. We are expanding our in-house offerings to capture new market segments, with a particular focus on cultivating growth opportunities within the Asia-Pacific region. Building on the successful launch of our nano production line in late 2024, we are preparing for the inaugural commercial release of our nano-enhanced product line, which is poised to significantly elevate our drinkware business. By continuously refining our product portfolio, bolstering supply chain resilience, and upholding our commitment to sustainability, we are confident in our ability to navigate market challenges and anticipate these initiatives will positively influence our financial performance in 2026.

Revenue Analysis

HK\$ million



ABOUT THE REPORT

The Environmental, Social, and Governance (“ESG”) Report (the “Report”) encapsulates the sustainability policies, metrics, and performance of the Group for the financial year from 1 January to 31 December 2025 (“2025” or the “Reporting Year”). The objective of the Report is to fulfil the information requirements of various stakeholders, enabling them to have a comprehensive understanding of the Company’s progress and development direction. The Report is available in both Chinese and English on the websites of The Stock Exchange of Hong Kong (“SEHK”) and King’s Flair (www.kingsflair.com.hk). This Report has been confirmed by the Group’s ESG Committee and approved by the Board of Directors (the “Board”) on 23 March 2026.

Reporting Scope

This ESG Report focuses on the operation of the Group’s primary business segment of trading of kitchenware and household goods, which generated about 92.2% of the Group’s total revenue during the Reporting Year. The Report focuses on King’s Flair’s 3 offices in Hong Kong (“headquarter office and brand offices”), specifically its headquarter office in Sheung Wan, as well as offices in Sheung Wan, Tsuen Wan, and an Advanced Manufacturing Center in Tseung Kwan O Industrial Estate.

While the Group’s operations are not fully covered in this ESG Report, King’s Flair is planning to broaden its reporting boundary in the future to better capture the Group’s impact on the environment and society.

Reporting Standards and Principles

This Report has been prepared following the “mandatory disclosure” requirements and the “comply or explain” provisions of the Environmental, Social, and Governance Reporting Code (the “ESG Reporting Code”) in Appendix C2 of the Rules Governing the Listing of Securities on SEHK, which has been developed by following the reporting principles listed below:

Materiality

The Group focuses on issues that are important to its stakeholders and have a significant impact on its business, the environment, and society. A stakeholder engagement survey and materiality assessment were conducted to identify the material issues.

Quantitative

The Group ensures that its Key Performance Indicators (“KPIs”) are clearly quantifiable and supported by explanatory narratives detailing the objectives, associated impacts, and calculation methodologies, in alignment with both local and international standards.

Balance

The Report strives to provide an unbiased overview of the Group's ESG performance, avoiding presentation formats that may inappropriately influence a decision or judgment by the report readers.

Consistency

The Group adopts consistent data collection and calculation methodologies, and provides historical data where appropriate to enable meaningful comparison of data over time. In order to allow shareholders to fully understand the Group's ESG performance, this Report discloses both environmental and social aspects KPIs, in compliance with the "comply or explain" provisions of the ESG Reporting Code. There has been no change from the previous years in the methods or KPIs used to prepare this report, unless otherwise specified.

The Group welcomes and values the feedback from its stakeholders via email (ir@kingsflair.com.hk), and is always looking to improve its ESG management and performance.

BOARD STATEMENT

As climate-related challenges continue to intensify, the Group recognises the critical role of sustainability and climate resilience in supporting long-term business growth, especially around supply chain management. The Board provides overall strategic direction for sustainability and climate-related risks & opportunities management and retains ultimate responsibility for ESG matters. Recognising that robust ESG performance is integral to long-term value creation, the Board actively oversees the integration of sustainability considerations into the Group's strategic pivot towards proprietary product lines and technological innovation.



The ESG Committee, chaired by a member of the Board oversees key environmental, social, and governance topics across the Group. The Committee structures its work around three strategic pillars—Environmental, Social, and Governance, with each defined by specific objectives and ongoing initiatives that drive the Group's sustainability performance. During the year, the Committee intensified its focus on supply chain resilience and climate-related risk assessment, ensuring that our response to immediate financial pressures does not compromise our long-term sustainability commitments.

Despite a challenging fiscal year marked by significant financial loss, the Group has remained steadfast in its sustainability commitments and strategic transformation. In 2025, we advanced our nano-material technology applications and continued to embed environmental, social, and governance considerations into our operations, laying a resilient foundation for future recovery and sustainable growth.

Beyond internal governance, the Group remains responsive to evolving sustainability trends and actively engages with stakeholders to understand their expectations and feedback on future initiatives. Upholding integrity and ethical conduct across all operations is a core principle of the Group, reinforced through a comprehensive compliance management framework that safeguards legal and regulatory adherence. Despite the challenging business environment, we maintained our strong compliance record with no material breaches of relevant laws or regulations during the Reporting Year.

By maintaining open collaboration with stakeholders, the Group ensures compliance and accountability throughout its value chain. Looking ahead, the Group is committed to addressing emerging sustainability challenges, capitalising on opportunities in a dynamic market, and continually enhancing its sustainability framework to grow alongside its stakeholders on a shared path toward long-term resilience and progress.

OUR SUSTAINABILITY APPROACH

The Group recognises that maintaining high governance standards and implementing a robust and transparent reporting framework are vital for ethical and sustainable business operations. Even in a challenging financial year, we have remained committed to advancing our environmental, social, and governance practices, recognising that sustainability is not merely a compliance exercise but a strategic imperative that underpins our long-term resilience and competitiveness.

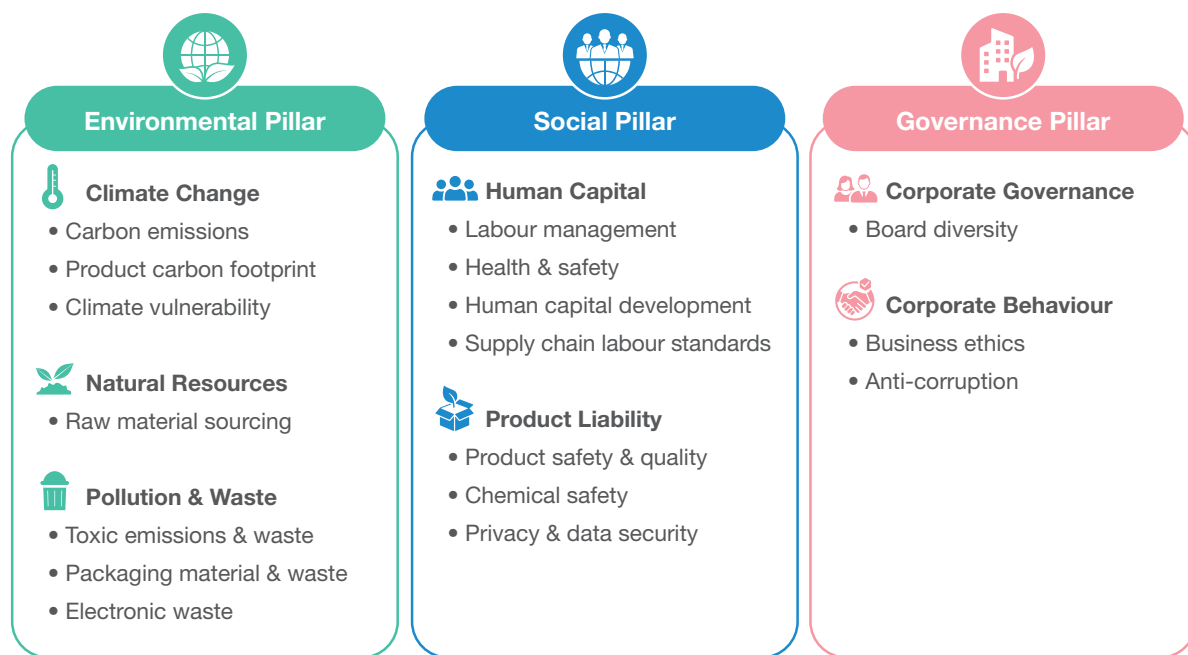
Governance Structure

The Board is responsible for overseeing the implementation of the Group's sustainable development strategy, being the top level governance body under the organizational hierarchy. Its key responsibilities encompass ensuring the Group's adherence to environmental, social, and corporate governance laws and regulations, providing employees with pertinent and comprehensive training, and reviewing and enhancing environmental, social, and governance matters, particularly in response to critical situations. During 2025, the Board maintained its active oversight of ESG matters, with sustainability updates presented at all scheduled Board meetings, ensuring that ESG considerations remained integral to strategic decision-making despite prevailing business pressures.

Recognising the advantages of a diverse board for effective decision-making and robust corporate governance, the composition of the Board is subject to annual review by a nomination committee. This evaluation considers factors such as age, background, gender, and skillset to ensure a balanced and inclusive leadership structure. As of 31 December 2025, the Board comprised six members, two-thirds of whom are non-executive directors, and one-third are female, reflecting our commitment to diversity at the highest level of governance.

The ESG Committee, established by the Board, is responsible for overseeing and addressing ESG and climate-related matters of significant importance to the Group and its stakeholders. Led by a Board member, the Committee includes six senior management representatives who collaborate to address ESG and climate-related challenges. While the Board performs an annual review of ESG and climate-related performances, the Committee meets quarterly to discuss critical elements, including the overarching ESG policy, Climate Change Policy, key ESG and climate-related risks and opportunities impacting the Group, and the monitoring of ESG and climate-related KPIs presented to the Board.

King's Flair conducts extensive evaluation of the Group's ESG landscape regularly, identifying substantial environmental and social impacts linked to the Group's operations. The Group has identified priority areas across specified pillars and will execute tailored initiatives to improve its ESG outcomes.



Risk Management

In recognition of the ever-evolving market conditions, the Group has implemented a robust risk management system to navigate the complexities of its operational environment effectively. Central to this approach is the identification and mitigation of ESG-related risks, which extend beyond conventional risk categories and encompass factors such as climate change, workplace health and safety, and labour practices within the supply chain. These elements are subjected to thorough evaluation, particularly when they pose significant threats to the Group's operations, products, or value chain. During 2025, the Group enhanced its risk assessment processes to better capture the interplay between financial pressures and ESG risks, recognising that cost-cutting measures must not compromise our commitments to environmental stewardship and social responsibility.

To ensure the efficacy of this framework, a compliance officer and designated risk managers conduct quarterly assessments of these risks. Any ESG-related risks deemed to have a substantial impact are formally documented in the Group's risk register and subsequently presented to the ESG Committee for further consideration and action. This integrated approach ensures that emerging ESG risks are elevated to the appropriate governance level and addressed with the necessary urgency.

During the Reporting Year, the following key ESG-related risks were documented in King's Flair's inventory:

Table 1: ESG Risks Identified

Risk Type	ESG Risks Identified	The Group's Response
Policy & Legal	Tightening government policy on environmental protection	Continuously monitor newly enacted governmental regulations pertaining to ecological conservation.
	Increased emissions reporting requirements	Stay aware of evolving ESG reporting standards, ensuring full compliance.
	Increased regulations of existing products or services	Foster ongoing collaboration with customers on product development while upholding all relevant regulatory obligations.
	Increased permitting restrictions and hence increase in production cost from suppliers	Frequently engage suppliers to obtain timely insights on emerging restrictions and formulate responsive adjustment strategies.
Technology	Failure of new technology, resulting in loss of investment	Increase exploration of raw material enhancement opportunities through focused research and development initiatives.
	Product substitution for lower emissions products (and therefore reduced demand for existing products)	Invest in pioneering advancements in raw materials to optimise performance and environmental sustainability.
	Increased stakeholder concern and negative external feedback	Continuously track and address adverse stakeholder feedback to sustain trust and confidence.
Climate Change	Increased frequency and severity of extreme weather events and disease related instances	Continuously assess the operational impacts of extreme weather events, implementing preventive and adaptive response measures.

Compliance Management

The Group has established a rigorous framework to manage internal controls and operational processes, underpinning its commitment to compliance with all applicable laws and regulations. Within this framework, the Group has identified critical legal and regulatory requirements integral to its operations. To safeguard against potential non-compliance, King's Flair has put in place detailed management policies and procedures designed to prevent enforcement actions, fines, penalties, and litigation. During the Reporting Year, despite the challenging business environment, the Group upheld a strong compliance performance, with no breaches of relevant laws or regulations.

Below is a list of laws and regulations categorised by aspects that have a significant impact on the Group's operations:

Table 2: Relevant Laws and Regulations

Aspects	Relevant Laws and Regulations Significant to the Group's Operation
Environment	- Air Pollution Control Ordinance - Waste Disposal Ordinance - Water Pollution Control Ordinance - Product Eco-responsibility Ordinance - Motor Vehicle Idling (Fixed Penalty) Ordinance
Employment	- Employment Ordinance - Minimum Wage Ordinance - Employee's Compensation Ordinance
Health and Safety	- Occupational Safety and Health Ordinance - Dangerous Goods Ordinance
Product Responsibility	USA - Federal Food, Drug, and Cosmetics Act PRC - General Product Safety Directive, Registration, Evaluation and Authorisation and Restriction of Chemicals - Product Quality Law Hong Kong - Personal Data (Privacy) Ordinance - Copyright Ordinance - Trade Descriptions Ordinance - Registered Design Ordinance
Anti-Corruption	USA - Foreign Corruption Practices Act Hong Kong - Prevention of Bribery Ordinance

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Understanding the critical role of ESG considerations in driving sustainable success, King's Flair prioritises the interests of its shareholders and stakeholders. In a year marked by significant financial challenges, maintaining robust stakeholder dialogue became more important than ever. The insights gathered through these engagements directly informed our strategic response to market headwinds and ensured that our sustainability priorities remained aligned with evolving stakeholder expectations.

The Group actively collaborates with a diverse array of internal and external stakeholders to gather insights that shape its ESG strategy. By maintaining a close watch on market trends and adjusting its strategic direction accordingly, King's Flair ensures its objectives remain aligned with stakeholder expectations, ultimately supporting the Group's enduring success. During 2025, we intensified our engagement efforts, recognising that transparent communication and mutual understanding are essential foundations for navigating uncertainty together.

Communicate with Stakeholders

To maintain alignment with the rising expectations of its stakeholders, King's Flair actively engages through multiple communication channels to collect feedback on its ESG practices and performance. These stakeholder perspectives are integral to informing the Group's strategic decisions and operational plans, ensuring coherence between intentions and actions. Additionally, this inclusive approach strengthens the Group's preparedness to respond proactively to emerging sustainability challenges. In 2025, stakeholder feedback played a crucial role in shaping our strategic pivot towards proprietary product lines and reinforcing our focus on supply chain resilience, demonstrating how engagement directly informs business strategy.

Engagement Channels with Key Stakeholders

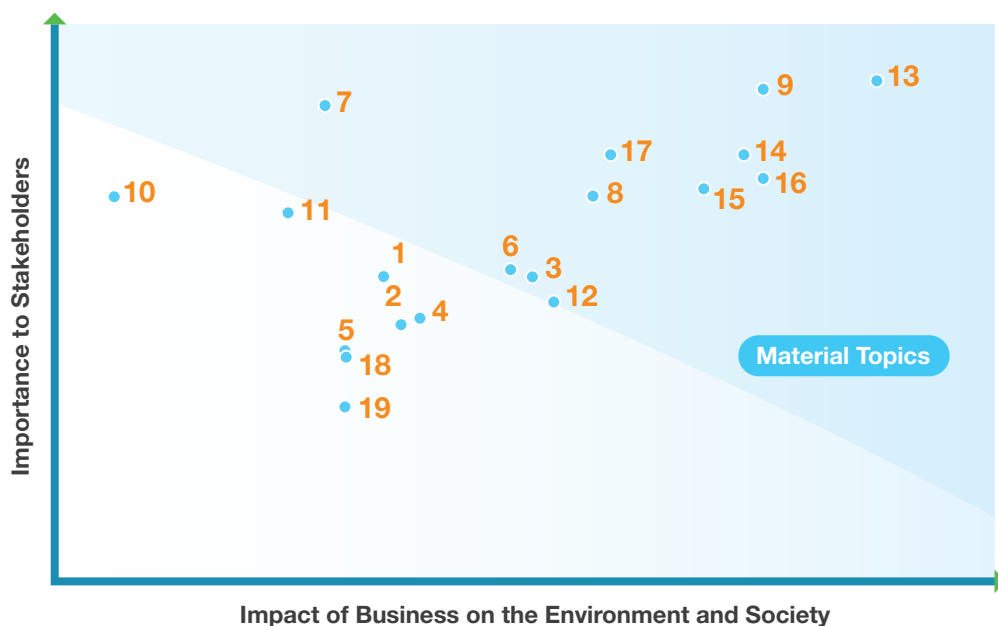


Materiality Assessment

To identify the sustainability topics which are critical to its business operations and stakeholder interests, we reviewed the material sustainability topics identified last year by considering the regulatory landscape, industry practices and stakeholders’ interests. During this reporting period, we conducted a thorough reassessment to ensure our materiality matrix accurately reflected the shifting priorities of both the business and our stakeholders. This review considered feedback gathered through the engagement channels outlined above, alongside analysis of industry trends and emerging regulatory requirements.

In this assessment, we elevated the topic “Climate change action” in terms of both its significance to stakeholders and in relation to the Group’s impact on the environment and society. This topic now falls within the threshold of material topics, increasing the total number of material topics from 10 to 11. The elevation reflects the growing importance of: climate change to our business operations and stakeholder interests. The materiality levels of other sustainability topics remain aligned with the Group’s strategic priorities. The updated materiality assessment has been reviewed and endorsed by the Board.

King’s Flair 2025 Materiality Matrix (graph)



Identified sustainability topics

Aspects	Sustainability Topics
Environmental Aspects	1) Air pollution management 2) Greenhouse gas emissions management 3) Energy saving/efficiency* 4) Wastewater/water management 5) Waste management 6) Climate change action
Labour Practices	7) Employee engagement* 8) Equality, diversity & anti-discrimination in the work environment* 9) A healthy and safe work environment* 10) Training and development 11) Respecting human rights along the value chain
Operational Practices	12) Supply chain management* 13) Protecting customer data & privacy* 14) Product quality management* 15) Customer health & safety* 16) Protection of intellectual property rights* 17) Prevention of bribery, extortion, fraud & money laundering* 18) Consideration of community needs & interests 19) Investing in the community

* Refer to topics that were identified as material



PRODUCT AND SERVICE RESPONSIBILITY

In addition to upholding the highest standards of business ethics and integrity, the Group commits to incorporating ESG considerations into its operations to ensure a safe, efficient, and ethical environment. Together with the high standard practice, the commitment of King's Flair to maintaining long-term relationships with its customers and suppliers allows us to produce high-quality products to meet the market's changing demands. During 2025, despite significant financial pressures, we maintained our unwavering commitment to product quality, supply chain responsibility, and ethical conduct – areas that remain fundamental to our value proposition and long-term competitiveness.



Maintained regular communication with employees on the Group's Code of Business Conduct



Regularly monitored the latest update of standards and regulations relating to product quality and safety and data security, and reviewed the relevant internal policies and procedures



Conducted supplier engagement activities to discuss and promote sustainability practices



Providing high-quality and compliant products, while meeting the evolving needs of customers through product research and development

Fair and Honest Operations

The Group remains steadfast in upholding the highest standards of ethical behaviour and professional integrity across all its operational activities. This commitment is not only integral to internal operations but is also extended to the Group's external business partners. As regulated in the Staff Handbook, any form of corruption activities and conflict of interest is strictly prohibited throughout the Group's operation. Furthermore, adherence to the Code of Business Conduct is required for all business associates to maintain exemplary ethical standards throughout the entire supply chain. In 2025, we reinforced these expectations through targeted communications with suppliers, emphasising that our commitment to integrity remains unchanged despite reduced order volumes.

Within the framework of its governance policies, the Group has established a robust Whistleblowing Policy that provides a secure and confidential channel for employees and business partners to report any instances of misconduct or unethical behaviour. All reported incidents are carefully reviewed by a dedicated Whistleblowing Committee, ensuring fairness in investigations and safeguarding the anonymity of whistleblowers. Targeted training sessions were conducted to reinforce awareness and compliance with anti-corruption practices regularly, laying a solid foundation for the Group's continued compliant operations. During the Reporting Year, there were no reported incidents of misconduct or whistleblowing cases, reflecting the embedded culture of integrity across the organisation.

Protecting customer privacy and respecting intellectual property rights are fundamental to the Group's operational ethos. The Group achieves this through a structured framework that includes the dissemination of the Code of Business Conduct and the Staff Handbook to all employees. These essential documents detail the policies that protect the interests of both the Group and its customers, ensuring that everyone within the Group understands and complies with these important guidelines.

To mitigate the risk of information leaks concerning patented products, the Group enforces strict confidentiality measures, such as the signing of confidentiality agreements for all potential suppliers submitting quotations. Moreover, the production process for the Group's patented designs is divided among several suppliers, preventing any single external party from gaining complete visibility into the entire production process or raw material specifications. Complementing these measures, the Group has established a Non-Disclosure Agreement ("NDA") policy that applies to all entities within the value chain. These measures proved particularly important in 2025 as we advanced our proprietary nano-technology, requiring heightened vigilance around intellectual property protection.

In addition to these initiatives, the Group's Policy on IT Access Control and User Access Management serves as a critical safeguard for customers' intellectual property and data. These policies govern the access rights of employees and business partners to customer data within the Group's systems, stipulating that access privileges must be periodically reviewed to eliminate unnecessary permissions. The Group also stays abreast of developments in data privacy laws and standards, updating its policies accordingly to ensure ongoing compliance and protection.

Responsible Supply Chain Management

Suppliers are integral to King's Flair's ability to provide high-quality products and services, and the Group places great emphasis on building and maintaining strong, collaborative relationships with them. In 2025, the challenging business environment tested these relationships, but our commitment to partnership and shared responsibility remained steadfast. The Group strives to ensure that its suppliers live up to the Group's standards and expectations by establishing policies and requirements. Suppliers are required to follow the Quality Handbook for Suppliers' Products and the Code of Business Conduct, which were developed to regulate supplier performance and to assist the Group in mitigating potential environmental and social risks along its supply chain. These policies outline the Group's clear expectations for suppliers, focusing on key sustainability issues such as safeguarding human rights, eliminating child and forced labour, ensuring occupational health and safety, complying with environmental regulations, and upholding business integrity. Furthermore, during the Reporting Year, the Group organised anti-corruption workshops to educate suppliers on ethical practices and encourage responsible behaviour throughout the supply chain. Despite reduced purchasing volumes, we maintained these engagement efforts, recognising that long-term partnerships require consistent communication and shared values even during difficult periods.

Procedures for Supplier Management

The Standard Operating Procedure (SOP) of King's Flair details a thorough process for selecting, approving, and assessing partners, reflecting the Group's commitment to working with suppliers who share its values. Additionally, the Group conducts regular assessments of its suppliers' environmental and social performance.

Supplier Selection

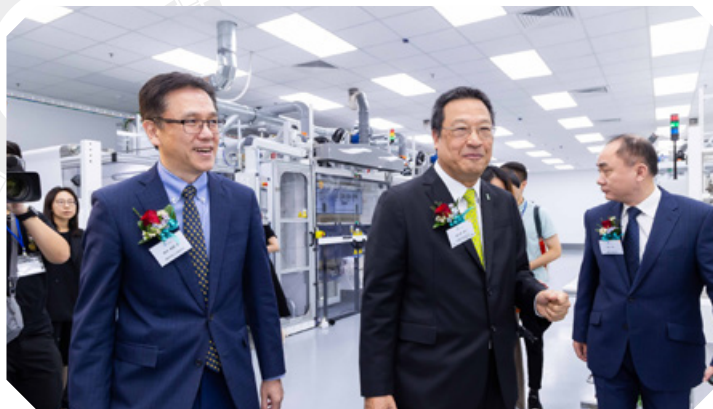
When reviewing proposals from suppliers, King's Flair consults relevant regulatory agencies, international trade organisations, and manufacturers. Suppliers will also be assessed based on their quotations, as well as their engineering and product development capabilities, ability to perform, and quality of materials delivered. To protect the confidential information of potential suppliers, the Confidentiality Supplier Agreement must be signed by the potential suppliers before the quotation process begins. In 2025, we placed additional emphasis on suppliers' financial stability and climate resilience as part of our selection criteria, recognising the increased risks in the current operating environment.

Approving Suppliers

New manufacturing suppliers must submit a completed Factory Evaluation Form along with supporting documentation to demonstrate their capability in delivering the services outlined in the document. The authority to approve supplier selections lies with the supply chain manager and the Group's senior management. Should a supplier's performance remain unsatisfactory, the Supply Chain Department and Quality Department are authorised to revoke approval and prohibit the use of the underperforming supplier. In such cases, the disapproved supplier will need to resubmit the Factory Evaluation Form for reconsideration if they wish to regain approval. During 2025, no suppliers were subject to revocation of approval.

Supplier Evaluation

King's Flair has introduced a supplier rating system to facilitate a comprehensive evaluation of supplier performance. The Group evaluates existing suppliers at least once a year according to their engineering and product development capabilities, as well as reviewing the supplier's quotations, purchasing policies, shipping and logistics approach, quality control measures, and financial performance. Suppliers who receive a "Poor" rating are obligated to undertake improvement initiatives. The Group maintains close oversight of these suppliers on a quarterly basis until significant improvements are observed. Moreover, suppliers with low ratings are not assigned any new projects, and the Group will seek alternative sourcing solutions.



Review of Suppliers ESG Performance

In accordance with the Group's SOP, suppliers will be selected, approved, and evaluated in accordance with the established procedure. This process incorporates continuous assessments of environmental and social performance metrics. Furthermore, the Group conducts impromptu audits to ensure suppliers comply with the Code of Business Conduct. Regular compliance reviews are also performed to gauge suppliers' adherence to relevant legal requirements and industry standards. During the Reporting Year, we have conducted factory audits for all our key suppliers.

Quality Product and Services

Product Quality and Safety

The Group places a strong emphasis on ensuring the safety and quality of its products. As specified in the Supplier Quality Manual, the Group has listed the specific requirements and expectations for quality, health, and safety, which apply to every stage of the supply chain, from raw material sourcing to production, storage, and final inspection. The Group also undertakes regular reviews of its internal standards and material selections while actively monitoring developments in product safety regulations and quality control frameworks to uphold the highest standards. Despite financial pressures in 2025, no cost-cutting measures were applied that could compromise product quality or safety – a testament to our unwavering commitment in this area.

In addition, King's Flair works in close partnership with its suppliers to guarantee full compliance with all applicable local and international health and safety standards. Close communication is maintained with suppliers throughout the production process to ensure that all goods meet relevant legal and regulatory obligations. Suppliers are required to exclusively utilise raw materials from an approved list provided by King's Flair for production. Moreover, the Group meticulously verifies product specifications, material safety data sheets, REACH2 reports, and food-grade certification before granting approval for production to begin.

To ensure the production process can reach the standards and requirements of the Group, King's Flair quality assurance professionals are appointed to station at the production plants to oversee the process. Specialised equipment is employed to manufacture BPA-free items independently, thereby precluding any risk of contamination from other materials. A systematic approach to warehousing, governed by a first-in, first-out policy, ensures that finished goods are not subjected to extended periods of storage. Additionally, sensitive materials such as polycarbonate are stored separately in designated areas of the warehouse. Throughout the entire production process, continuous communication between King's Flair and its suppliers guarantees compliance with applicable legislation. Should any non-compliant products or safety incidents occur, the Group is equipped with a clear product recall process encompassing the evaluation of risks and causes, investigation procedures, communications and instructions to customers and associated parties, the consideration of replacement products, and others for immediate actions. During the Reporting Year, the Group received no product recall records.

Product Research and Innovation

King's Flair remains committed to addressing evolving consumer needs through continuous investment in research, development, and innovation, with a particular emphasis on advancing nanotechnology applications. This commitment remained undiminished in 2025, despite the Group's financial challenges, reflecting our conviction that innovation is the cornerstone of long-term competitiveness and recovery.

During the previous reporting period, the Group established the state-of-the-art Nano Material Manufacturing Centre within the Advanced Manufacturing Centre at Tseung Kwan O InnoPark through the support of the New Industrialisation Funding Scheme (formerly the Re-industrialisation Funding Scheme), marking a major advancement in the Group's innovation and sustainability journey. The facility is designed as a fully automated production line, operating with a minimal workforce primarily focused on monitoring, quality control, and maintenance. This automation-driven model enhances operational efficiency, ensures consistent product quality, and reduces labour-related risks, while enabling 24/7 production capability with minimal human intervention.

Equipped with cutting-edge technologies such as smart sensors and real-time monitoring systems, the centre enhances operational flexibility and enables stringent quality control. The Group's breakthrough nanofiber technology allows water filtration products to address existing limitations in removing harmful contaminants such as bacteria, viruses, and heavy metals, delivering exceptional filtration performance without compromising water flow speed. During the Reporting Year, we made significant progress towards commercialising our water filtration development. Specifically, we:

- Finalised product specifications and performance validation for our nano-enhanced water filtration systems
- Completed pilot production runs, confirming the scalability and consistency of the manufacturing process
- Commenced preparations for regulatory certifications required in target markets
- Target the inaugural commercial launch of our water filtration product line



Customer Feedback Handling Procedure

King's Flair dedicates efforts to refine product quality and optimise operational processes, with a keen focus on incorporating customer insights. The Group has instituted a structured Customer Feedback Handling Procedure as part of its SOP framework, thereby guaranteeing that all customer input is meticulously addressed and leveraged. During the Reporting Year, there were no material customer complaints recorded in relation to the Group's products or services. This reflects the continued strength of our customer relationships and product standards, even as order volumes fluctuated.



EMPLOYMENT AND LABOUR PRACTICE

King's Flair is committed to ensuring a professional workplace that upholds values of equity, ethics, security, diversity, and camaraderie, thereby enabling staff members to pursue career progression that resonates with their competencies and passions. During a year of significant financial challenge, this commitment was tested but ultimately reinforced. We maintained open and transparent communication with our employees throughout 2025, ensuring that our workforce remained informed, supported, and engaged even as the Group navigated difficult business conditions.



Nurturing Employees

The Group places a great emphasis on talent management, acknowledging that employees form the core of its operations. In 2025, this principle guided our approach to workforce management. Despite the financial pressures, we prioritised preserving jobs wherever possible and maintaining the trust and morale of our employees. With a human-centric approach to human resources, the Group has outlined its policies, covering aspects such as remuneration, recruitment and promotion, dismissal, working hours, holidays, anti-discrimination, benefits and welfare, within the King's Flair Staff Handbook. Staff are encouraged to familiarise themselves with the contents of the Handbook to comprehend their entitlements and responsibilities.

Dedicated to fostering open and continuous dialogue with its workforce, the Group facilitates multiple open and effective communication channels for seeking feedback proactively. This approach to effective communication is pivotal in cultivating a collaborative environment rooted in the common principles of partnership, transparency, respect, and diversity. If any potential compliance issues or concerns arise, King's Flair encourages employees to report such occurrences through accessible channels, such as a dedicated hotline, email, or a written report form. Each report is meticulously recorded, followed by investigation procedures and disciplinary action if necessary. To ensure a fair, efficient, and equitable mechanism to handle and resolve issues arising in the workplace, the informant's identity will be kept confidential throughout the entire investigation process. During 2025, no formal grievances were lodged through these channels, reflecting the continued trust and satisfaction of our workforce.

Remuneration and Benefits

The Group is committed to offering its employees competitive salaries and a wide range of benefits, aimed at both attracting and retaining top talent. Salary packages and benefits are designed to reflect individual contributions and are benchmarked against current market standards. Regular evaluations are carried out to ensure that the Group's human capital aligns with its operational demands and future growth objectives. In 2025, despite the Group's financial loss, we made every effort to protect core employee benefits and avoid widespread salary reductions. Where cost-saving measures were necessary, we sought to implement them through natural attrition and voluntary arrangements wherever possible, minimising the impact on our workforce.

The Staff Handbook delineates clear policies and guidelines concerning working hours and leave entitlements. Beyond statutory holidays, employees enjoy a range of leaves, including paid annual leave, wedding leave, maternity leave, paternity leave, birthday leave and other holidays, which vary based on rank and tenure. Recognising the importance of employee well-being and family life, King's Flair has introduced parental care leave to assist employees in their transition to parenthood and to provide additional family support. These benefits were maintained throughout 2025, underscoring our commitment to employee well-being even during challenging times. Additionally, the Group offers interest-free educational loans of up to HK\$200,000 to employees with a minimum of ten years' service to support their children's tertiary education.

Workplace Inclusiveness and Diversity

Fostering a diverse, inclusive, and equitable workplace is integral to cultivating a productive and agreeable professional atmosphere. King's Flair is committed to establishing an environment where all employees are afforded respect and dignity, irrespective of their gender, ethnicity, religious beliefs, health conditions, disabilities, family circumstances, sexual orientation, or political affiliations. The Group's Staff Handbook explicitly states its dedication to combating discrimination and harassment and guarantees that the recruitment process is conducted in accordance with the principles of equal opportunity. Should instances of discrimination or harassment come to light, senior management is fully engaged in the investigative process, treating such matters with the utmost gravity. During 2025, no incidents of discrimination or harassment were reported.

Human and Labour Rights

The Group prioritises a proactive approach to compliance and ethical labour practices, safeguarding human and labour rights throughout its value chain. Central to this commitment are formalised policies outlined in employment contracts, the Code of Business Conduct, and the Staff Handbook. These documents are developed in line with international labour regulations, emphasising employment equality, labour rights, and stringent health and safety standards. During the Reporting Year, no instances of human rights violations were identified.

To prevent the occurrence of forced or child labour, robust recruitment procedures are in place, including the verification of candidates' ages and identities. Regular audits and annual declarations, conducted by both the Company and its clients, further reinforce these measures. If there is any discovery of forced or child labour, immediate investigation and corrective action will be conducted, with legal intervention sought when necessary. Additionally, the Group has established agreements with suppliers to ensure compliance with both local and international labour laws. This comprehensive framework underscores our dedication to ethical labour practices. During the Reporting Year, no case of child labour and forced labour incident was identified in the Group or, to the best of our knowledge, within our supply chain.

Occupational Health and Safety

The Group ensures the health, safety, and well-being of its employees by strictly adhering to occupational health and safety laws and regulations. In accordance with this, the Group has established its Environmental, Health and Safety Policies, as well as implemented various health and safety measures. This includes introducing regular environment disinfectant services, providing air purifiers, conducting regular inspections of safety equipment, and conducting fire drills in the office.

King's Flair adheres to the principle of "prevention comes first" when it comes to occupational safety. Therefore, we aim to equip employees with the necessary knowledge to prevent occupational hazards. The Group provides regular safety training to all employees regarding responsible practices within factory operations and general safety guidelines for laboratory professionals to continuously enhance employee awareness. Group employees are encouraged to report any work-related injuries to their supervisors immediately in the event of an injury. The department head will then determine the severity of the incident and arrange appropriate handling procedures.

Employee Training and Development

King's Flair recognises its employees as its most valuable asset, dedicating significant efforts to their career advancement and continuous learning. The Group has outlined its training principles and commitments within the Staff Handbook and established a variety of programmes to promote continuous professional development. Demonstrating its dedication to talent cultivation, the Group offers financial sponsorships of up to HK\$150,000 for employees with a minimum of two years of service to pursue higher education qualifications. Throughout the Reporting Year, the Group organised a wide range of training sessions and workshops tailored to specific job functions, ensuring that employees remain informed about the latest industry trends and economic developments.

Performance Management System



ENVIRONMENTAL STEWARDSHIP

King's Flair is dedicated to reducing and managing the adverse environmental impacts associated with its value chain through the adoption of various strategies and environmental protection measures. The Group's commitment to sustainability is articulated through distinct policies on energy conservation, water management, and waste minimisation, as outlined in the Environmental, Health and Safety Policy Statement. Furthermore, specific provisions concerning greenhouse gas emissions are incorporated into the Climate Change Policy, thereby ensuring a holistic approach to environmental stewardship.^{1,2}

Emission Reduction

King's Flair is dedicated to advancing its transition toward a low-carbon future by reducing carbon emissions and minimising its overall environmental footprint. The main sources of the Group's emissions stem from electricity consumption at its headquarters, branch offices, and production facilities. To mitigate these impacts, the Group has invested considerable resources in enhancing energy efficiency and introducing energy-saving initiatives across its operations. Further information on these efforts is provided in the "Resource Optimisation" section. In alignment with Hong Kong's Climate Action Plan 2050, King's Flair continues to refine its environmental objectives. Since 2022, the Group has maintained a qualitative target aimed at driving ongoing improvements in environmental performance.

¹ Air emissions are considered relatively insignificant to King's Flair's operations, and hence no corresponding policies and targets have been developed.

² Discharges into water and land are considered relatively insignificant to King's Flair's operations, and hence no corresponding policies and targets have been developed.

Responsible Waste Management Practices

Waste management remains a key focus area within the Group's broader sustainable development strategy. To minimise environmental impact, the Group prioritises the use of sustainable materials and implements responsible waste-handling practices throughout its operations and supply chain. Reflecting its commitment to source reduction, the Group has introduced various initiatives such as replacing disposable tableware with reusable alternatives and encouraging employees to adopt reusable catering utensils. These behavioural initiatives were maintained throughout 2025, reinforced by regular communications to sustain employee engagement despite business pressures.

Dedicated personnel are also assigned to oversee domestic waste collection and ensure that all disposal processes align with environmental responsibility. Waste separation bins have been installed across the head office and branch locations to facilitate structured recycling practices. Recognising the environmental challenges associated with obsolete electronic equipment, the Group donates retired computer devices to reputable organisations, thereby promoting circular economy principles and community reuse. To ensure proper oversight, the administration and personnel department maintain comprehensive records of all donations to uphold traceability and compliance.

During the Reporting Year, the Group generated 0.50 tonnes of hazardous waste and 4.68 tonnes of non-hazardous waste. All hazardous waste was safely handled in accordance with regulatory requirements through qualified treatment suppliers. To further ensure proper management, the Group has established a designated storage facility for hazardous materials and engages licensed service providers for their compliant collection, treatment, and disposal.

Table 3: Waste Generation in 2025 vs 2024

Waste Types	Waste generation (tonnes)	
	2025	2024
Hazardous waste	0.50	1.86
Hazardous waste intensity (per 1,000 square foot floor area)	0.010	0.037
Non-hazardous waste	4.68	6.41
Non-hazardous waste intensity (per 1,000 square foot floor area)	0.092	0.126

Resource Optimisation

The Group primarily uses electricity, petrol, diesel, paper, and water across its head office and branch operations. Acknowledging the environmental impact of resource use, the Group remains committed to improving efficiency and reducing unnecessary consumption. Employees are encouraged to practise energy-saving behaviours, such as switching off lights, air-conditioning units, computers, and other electronic devices when not in use, helping to foster a culture of conservation. Complementing these individual actions, the Group continues to enhance energy performance through initiatives such as greater adoption of LED lighting, introduction of electric vehicles and the introduction of flexible working arrangements to reduce after-hours office activity. During 2025, we maintained these initiatives and explored additional efficiency opportunities, recognising that cost savings from resource efficiency also deliver environmental benefits, a particularly important synergy during a challenging financial year.

During the Reporting Year, the Group's total energy consumption amounted to 655.1 MWh, representing an 2% decrease compared with 2024. Meanwhile, energy intensity was 0.129 MWh per square foot of floor area, achieving a 2% decrease compared to last year.

To promote water conservation, the Group raises employees' awareness of environmental protection and encourages the reduction of water-intensive activities. During the Reporting Year, total water consumption reached 296 m³, representing a an 8% increase from 2024, while water intensity stood at 0.006 m³ per square foot of floor area. Although the Group has not yet set formal water and energy efficiency targets due to adjustments in operational locations, it plans to establish clear performance goals once operations have reached a stable footing.

King's Flair also recognises the significant environmental footprint associated with paper usage and is progressively transitioning toward a paperless workplace. The Group has incorporated multiple Enterprise Resource Planning (ERP) systems to streamline administrative processes, reduce paper consumption, and improve operational efficiency. Furthermore, employees and clients are encouraged to use electronic formats for design documents and internal communications wherever possible. Aligned with its commitment to responsible sourcing, the Group ensures that all paper products procured meet environmentally responsible standards.

Reinforcing this commitment, the Group's annual report is printed on eco-friendly paper. During the Reporting Year, total paper usage³ amounted to 935.35 kg, with the increase from the previous year mainly attributed to a higher number of in-person client meetings. Of this amount, 151 kg of wastepaper was collected and recycled by certified recyclers.

Table 4: Paper Usage in 2025 vs 2024

Use of Paper	Paper Usage (kg)	
	2025	2024
A4	863.20	850.73
A3	9.98	9.98
Coloured Paper	22.45	24.95

³ Paper usage included A4 paper, A4 coloured paper, A3 paper and other printed paper products such as business cards and annual reports.

Impact on the Environment

Awareness of the environmental consequences stemming from the design and manufacture of new offerings drives King's Flair to actively confront the negative aspects of its value chain. To this end, the Group has instituted a durable supply chain management strategy aimed at minimising environmental harm.

The Group upholds rigorous criteria for its suppliers, having published both the Quality Handbook for Suppliers' Products and the Supplier Code of Conduct. These documents are designed to govern supplier conduct stringently and to diminish the environmental toll of products across their lifespan. Furthermore, these guidelines direct the selection of raw materials, the choice of transport methods, and the handling of waste, chemicals, and production emissions at suppliers' facilities. Additionally, the Group works to decrease the carbon footprint of its products by emphasising sustainability to its suppliers through various engagement efforts, including conducting workshops to brainstorm sustainability-focused initiatives. In 2025, despite reduced purchasing volumes, we maintained these expectations and communicated them clearly to our supplier base, reinforcing that environmental standards are non-negotiable regardless of order quantities.

The Group has made a dedicated commitment to enhancing the incorporation of eco-friendly materials within its product range. Substantial funds have been directed towards the research and enhancement of sustainable raw materials, such as the innovative uses for spent coffee grounds. In addition, the Group is actively harnessing the research capabilities of local universities to promote global advancements in materials science. For instance, the Group has established an Innovation and Technology Centre in partnership with the Hong Kong Polytechnic University, aiming to facilitate international research collaborations and industry alliances. Furthermore, it has co-founded a "HKUST-KF Joint Laboratory for Sustainable Technologies" with the Hong Kong University of Science and Technology, dedicated to progressing research and practical applications in sustainable technologies, materials, carbon reduction, and state-of-the-art industrial processes. Moving forward, the Group intends to expand its efforts and continue to allocate additional resources to the progression of sustainable materials.

Climate Change Action

King's Flair Group recognises the implications of climate change may pose climate-related risks and opportunities across its operations, value chain, and stakeholder relationships. The Group embeds comprehensive governance and strategic oversight of climate-related risks and opportunities to drive long-term value creation and business resilience.

During the reporting period, we undertook our inaugural assessment of climate-related risks and opportunities, disclosing in accordance with Part D of the HKEX ESG Reporting Code (Appendix C2) on a 'comply or explain' basis. Material provisions have been addressed to the extent feasible without disproportionate cost or effort, reflecting our commitment to progressive alignment. This foundational assessment will inform our ongoing climate strategy and risk management approach as we build our capabilities in this area.

Through targeted mitigation measures, sustainable innovation, and responsiveness to shifting market expectations, the Group strengthens the resilience of its business model against climate uncertainties while pursuing opportunities within the low-carbon transition.

Governance

At King's Flair, the Board holds overall responsibility for overseeing climate-related risks and opportunities, ensuring that adequate resources are allocated to advance the Group's climate strategy. The ESG Committee, chaired by a member of the Board, is authorised to drive the Group's sustainability agenda and coordinate efforts to manage climate-related risks and opportunities across all business units. Each department is responsible for identifying and evaluating its own climate-related risks and impacts, with regular progress updates reported to the ESG Committee to ensure continuous oversight and accountability. These climate-related risks and opportunities are then reviewed by the Board annually, to ensure alignment with the Group's strategy, decisions on major transactions, risk management processes and related policies, and where applicable, the setting of and progress monitoring of targets, as well as performance metrics in remuneration policies related to climate-related risks and opportunities.

Additionally, the Group also seeks to ensure the expertise required to supervise strategies on climate-related risks and opportunities. To strengthen Level C Senior Management oversight capabilities, the Board encourages them to participate in training programmes and courses offered by the HKEX and other professional bodies. These efforts support a well-informed leadership and workforce, capable of responding effectively to evolving ESG challenges.

Strategy

Recognising that climate change poses both physical and transition risks that could impact the Group's operations and long-term resilience, King's Flair integrates climate considerations into its strategic planning to maintain business continuity and competitiveness. In 2025, we conducted an identification and assessment of climate-related risks and opportunities, considering industry-specific material topics, recent weather events, and working conditions relevant to its operations. This assessment evaluated potential impacts on the Group's cash flow, access to financing, and cost of capital across three time horizons: short term (2026-2027), medium term (2028-2030), and long term (2030-2050).

The following table summarises 1 physical risk, 5 transition risks, and 3 opportunities that are considered relevant to the Group's operations. It outlines their potential implications for the business model and value chain, along with the key measures implemented to mitigate risks and capture emerging opportunities.

Risk type	Climate risks identified	Time horizon	Effects on our business model and value chain	The Group's response
Physical risks				
Extreme weather	Increased frequency and severity of extreme weather event such as typhoons and flooding	Medium to long-term	• Temporary shutdown and damage to operations • Disruption to supply chains	• Continuously monitor the impact of extreme weather events on business operations and plan preventive and response measures
Transition risks				
Policy & Legal	Tightening government policy and emissions reporting	Short to medium-term	• Higher compliance cost from additional data collection, verification and reporting	• Continuously monitor emerging regulations on emissions reporting. • Stay abreast of and comply with evolving reporting standards
	Stricter product regulation and permitting/supplier constraints		• May require redesign or reformulation of products to meet new requirements • Higher material and production costs due to tighter supplier permitting and controls	• Embed low-carbon design into kitchenware research and development (R&D) and manufacturing stage • Maintain close communication with suppliers to understand real-time feedback on emerging restrictions and develop targeted adjustment strategies
Technology	Failure of new technology, resulting in loss of investment	Short to medium-term	• Delay in product roadmaps and launches, affecting competitiveness and customer relationships • Underutilised production capacity if new production lines cannot be scaled	• Increase exploration in feasibility of upgrading raw materials via dedicated R&D initiatives

Risk type	Climate risks identified	Time horizon	Effects on our business model and value chain	The Group's response
	Product substitution for lower emissions alternatives		- Reduced demand for high-emission or legacy products and services - Risk of loss in customers with higher environmental awareness	Invest in sustainable innovations that boost performance while maximising environmental benefits
Raw materials	Fluctuations in raw material costs and availability lead to challenges across the supply chain	Short to long-term	- Potential delays and higher operational costs - Increased pressure to adopt sustainable alternatives	Proactively monitor and work with customers to address any climate-related impacts on the supply chain, including challenges in raw material costs and availability
Market	Changes in customer behaviour, such as shift in demand for more sustainable products	Medium to long-term	- Higher R&D and material costs to develop eco-friendly alternatives - Competitive disadvantage if slow to meet certain sustainability product mandates	Prioritise investment in sustainable products and services
Reputation	Shift in stakeholders' expectations leading to increased stakeholder concern and negative external feedback	Medium to long-term	- Reputational damage and loss of stakeholder trust, resulting in customer attrition, forfeited contracts, and diminished revenue streams - Increased cost of capital arising from investor scrutiny of suboptimal ESG disclosures and performance metrics.	Organise regular stakeholder engagement, promoting transparent communications

Opportunity type	Climate opportunities identified	Time horizon	Effects on our business model and value chain	The Group's response
Technology	Technological advances in product development can streamline operations and increase resource efficiency	Short to medium-term	• Drives down emissions and operational expenses • Promotes sustainable site practices via recyclable materials and energy-efficient technologies • Improves oversight and management of energy and water consumption	• Pursue circular economy solutions by upcycling waste materials • Strengthen water resilience through advanced nanofiber filters that efficiently remove contaminants and address climate-related quality challenges • Advance sustainable food and beverage innovations including ethylene-absorbing packaging to extend shelf life and coatings on reusable bottles to enhance hygiene and reduce single-use plastics • Promote energy-or-performance-efficient kitchenware product design
Resilience	Strengthen resilience of supply chain to safeguard against climate-related disruptions	Long-term	• Strengthening operational continuity and enhanced competitiveness in a low-carbon economy	• Diversify manufacturers to increase flexibility and resilience to climate-related disruptions
Market	Increasing customer preference for low-carbon products and sustainable services	Short to medium-term	• Creates opportunities through growing client and market demands for sustainable products and options	• Identify markets showing strong demand for sustainable products and customise sustainable product and services offerings

Business Model and Value Chain

During the reporting period, King's Flair analysed the current impacts of the climate-related risks and opportunities outlined above on its business model and overall value chain. The assessment concluded that these impacts are not material at present, as existing mitigation measures are effectively managing the associated risks. To further strengthen climate risk management capabilities, the Group plans to conduct climate-related scenario analysis in the future. This will enhance our understanding of the potential future impacts of climate-related risks and opportunities, including where such effects may be most significant across the business model and value chain.

Strategy and decision-making

The assessment of climate-related risks and opportunities are integrated into King's Flair's business strategy and decision-making through embedding low-carbon and climate-resilience considerations across product and services development, operational management, and supply chain planning. In the short to medium term, the Group focuses on advancing sustainable product innovation, enhancing energy and resource efficiency, and adopting circular design principles to reduce carbon intensity across operations.

King's Flair is also enhancing its capabilities to manage climate-related risks and opportunities, including assessing its readiness to develop a dedicated climate transition plan. While no standalone plan or formal climate targets have yet been established, current initiatives provide a strong foundation for a structured transition roadmap in the future. In the meantime, the Group actively supports customers' sustainability goals by offering low-impact, durable, and resource-efficient products and solutions that promote sustainable consumption. It also seeks to capture circular economy opportunities through initiatives in materials upcycling, recycling, and process optimisation. As regulatory expectations and market trends on climate evolve, King's Flair will continue to expand and strengthen these mitigation and adaptation measures.

In terms of resourcing, the Group leverages its internal research and development capabilities and internal/external financing channels to support the implementation of climate-related initiatives and product innovations. These resources are sufficient to sustain ongoing low-carbon transition efforts and facilitate long-term growth under an evolving climate policy landscape.

Financial position, financial performance and cash flows

Current financial effect

During the reporting period, the Group evaluated the financial impacts of the climate-related issues identified above. Based on our assessment, there were no material current financial effects that were material to the Group's financial position, financial performance and cash flows overall. Given the nature of King's Flair's business activities, where its operations are predominantly rented and office-based, physical risks such as flooding and typhoons did not give rise to any material current financial effects on King's Flair.

To the best of the Group's knowledge, the Group does not anticipate any significant adjustments to the carrying amounts of assets or liabilities within the next annual reporting period as a result of climate-related factors.

Anticipated financial effect and Climate resilience

King's Flair recognises the importance of assessing the resilience of its business strategy, business model and value chain to climate-related changes, developments, and uncertainties, through focusing on the climate-related risks and opportunities identified above. As the Group continues to strengthen its capabilities in the management of climate-related risks and opportunities, we plan to conduct climate-related scenario analysis in the future. This analysis will enhance our understanding of anticipated financial effects of climate-related risks and opportunities over the short, medium, and long term, while evaluating the Group's climate resilience. King's Flair will also utilise this analysis to assess potential changes to its financial position, financial performance and cash flows, as well as to consider future investments in sustainable innovations and planned funding sources such as existing borrowings and cash reserves. We will closely monitor market developments and advances in methodologies for quantifying anticipated financial effects and prepare for disclosure in the future.

Risk Management

King's Flair has embedded climate-related risks and opportunities into its overall risk management framework. This integrated approach allowed the Group to mitigate climate-related risks across our operations and cultivate a strong climate risk management culture throughout our Group. To understand and identify climate-related risks and opportunities, King's Flair has worked with external consultants and key stakeholders to identify climate-related risks and opportunities through industry research, peer benchmarking and discussions with the ESG committee. This foundational assessment, completed in 2025, provides a baseline against which we will track progress and refine our approach in future years.

An assessment matrix is used to measure and rank each risk and opportunity according to their likelihood and potential impact, with resulting ratings guiding the mitigation strategy adopted in the Group's risk management. Climate-related risks are continuously monitored, reviewed and updated through established risk management processes and formal risk management assessments are also conducted on a quarterly basis. Along with ESG-related risks, any climate-related risks identified to have substantial impact are formally documented in the Group's risk register and presented to the ESG Committee for further consideration and action. These processes help guide decision-making and embed climate considerations into strategic planning and operational oversight. Our risk management processes will also be reviewed regularly, with updates made in future reporting periods if necessary.

Of the identified climate-related risks above, most of the Group's identified risks present low risk, with the exception of risks relating to the supply chain, which are considered medium risk, due to the business nature of our Group. Based on our assessment, emerging climate-related risks in raw materials and the broader supply chain may be increasingly material to our operations. As such, we will continue to evaluate these areas in the future and work closely with suppliers to understand and address any potential impacts from climate-related factors.

In line with the Group's dedication to continuous improvement, we intend to explore the potential integration of scenario analysis into future climate risk and opportunity assessment processes to strengthen the resilience of its climate risk management.

Metrics and Targets

During the Reporting Year, the total greenhouse gas (GHG) emissions from the Group's headquarters and branch offices amounted to 356.1 tonnes of CO₂-e. The majority of emissions originated from Scope 2 emissions, which were primarily associated with purchased electricity and accounted for 213.1 tonnes of CO₂-e, representing 60% of the total.

During this Reporting Year, we expanded our disclosure of Scope 3 emissions to include Category 5: Waste Generated in Operations and Category 7: Employee Commuting. Together with the previously reported Scope 3 emissions, including business air travel, disposal of paper waste, and electricity consumption related to freshwater processing, Scope 3 emissions totalled 119.0 tonnes of CO₂-e, increasing its proportion to 33% of overall emissions.

With the increased disclosure of Scope 3 emissions, Scope 1 emissions from the combustion of fossil fuels, contributing 23.9 tonnes of CO₂-e, or 4% of total emissions, now take up the smallest proportion, accounting for just 7% of total emissions.

Table 5: GHG Emissions in 2025 vs 2024

Scopes	GHG Emissions	
	Emissions (tonnes of CO ₂ -e) 2025	2024
Scope 1: Direct GHG emissions	23.9	42.4
Scope 2: Indirect GHG emissions ⁴	213.1	241.6
Scope 3: Other indirect GHG emissions	119.0	63.6
GHG emissions in total	356.1	347.5
GHG intensity (per square foot floor area)	0.012	0.007

Categories	Scope 3 GHG Emissions	
	Emissions (tonnes of CO ₂ -e) 2025	
Category 5: Waste Generated in Operations ⁵	2.4	
Category 6: Business Travel ⁶	61.6	
Category 7: Employee Commuting ⁷	55.1	
Sum (tonnes of CO ₂ -e)	119.0	

⁴ GHG emissions are calculated using the location-based method. Scope 2 GHG emissions associated with the electricity purchased in Hong Kong are provided by the corresponding electricity providers. The specific emission factors are available from CLP's sustainability report 2024 and Hong Kong Electric's sustainability report 2024.

⁵ This includes emissions relating to third-party treatment and disposal of waste produced. Emission factors from the UK Government GHG Conversion Factors for Company Reporting 2025 are used.

⁶ Air travel emissions were calculated using the ICAO Carbon Emissions Calculator.

⁷ This includes emissions from the transportation of employees between their homes and worksites. Emission factors from the UK Government GHG Conversion Factors for Company Reporting 2025 are used.

CARING FOR THE COMMUNITY

As a responsible corporate citizen, King's Flair acknowledges the critical nature of contributing to societal development and treasures its connections within the various communities in which it operates. Our dedication to social responsibility extends beyond business objectives, as we actively seek opportunities to support local communities, promote sustainable practices, and enhance the wellbeing of the overall environment. During 2025, a year of significant financial challenge for the Group, this commitment was put to the test. We are proud to report that, despite the pressures on our business, we maintained our community investments and employee engagement in social initiatives, demonstrating that our responsibility to society is not conditional on short-term financial performance but is fundamental to our identity as a corporate citizen.

To reinforce its dedication to fostering beneficial impacts, the Group has developed a formal Community Investment Policy. This policy delineates our obligations towards delivering meaningful and advantageous support to local regions and populations, while simultaneously motivating employees to engage in voluntary efforts that bolster nearby initiatives. Furthermore, this policy acts as a structured guide for determining the sorts of institutions and forms of support that the Group can offer, thereby ensuring that all community-focused endeavours are philanthropically motivated and in synergy with our business objectives, employee interests, and communal requirements. These supporting areas include education, health, culture, and the environment. In 2025, our community contributions remained focused on these four pillars, with particular emphasis on education and environmental causes, reflecting both community needs and our employees' passions.

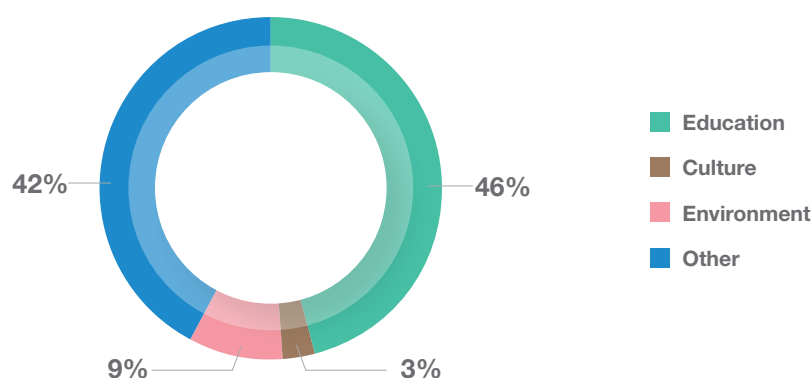
During the Reporting Year, we have donated over HK\$1.8 million to charitable organisation and community initiatives designed to create positive and lasting social impact. This level of contribution, maintained despite the Group's financial loss, reflects our deep-seated commitment to the communities in which we operate. Our employees actively participated in a range of volunteer activities, including the Chi Heng Carnival 2025 organised by Chi Heng Foundation, as well as the Hong Kong & Kowloon Walk for Millions 2024/2025 and the New Territories Walk for Millions 2025 – GO PARK Sai Sha organised by The Community Chest of Hong Kong. In recognition of our ongoing support, the Group was awarded the Annual Charity Platinum Partner title by Plan International Hong Kong.

In the area of education, the Group continued to provide financial support to student athletes at The Hong Kong Polytechnic University through the "King's Flair Group Scholarship for Outstanding PolyU Student Athletes", as well as continuous support for Plan International Hong Kong. Funding for Buddhist Ho Nam Kam College was also maintained to facilitate activities of its robotics team. These educational initiatives reflect our belief in nurturing future talent and supporting the next generation of leaders and innovators.

From a cultural perspective, the Group sponsored Hong Kong Xiqu Artistic Heritage Limited to promote cultural exchange and the preservation of Chinese arts and culture, with a particular focus on Xiqu and Cantonese Opera. This support contributes to the preservation of Hong Kong's unique cultural heritage and promotes appreciation of traditional arts within the community.

On the environmental front, the Group joined the Charity Walkathon organised by A Drop of Life, during which our colleagues' carried baskets and walked along the coast to raise funds for water-deprived communities. This initiative combined environmental awareness with community fundraising, reflecting our holistic approach to sustainability.

The Group remains attentive to the needs of the elderly. We made donations to support the Mid-Autumn Festival community event organised by Life Jungle, 130 elderly residents from Sok Kwu Wan and Yung Shue Wan to enjoy a day trip to Tai O, including sightseeing and a seafood lunch. In addition, contributions were made to the Kei Yam Family Services Centre to further support activities and services for the elderly.



KEY PERFORMANCE INDICATORS SUMMARY

Environmental Key Performance Indicators

Environmental Data	2025	2024	Unit
EMISSIONS			
Types of emissions and respective emission data⁸			
Nitrogen oxides ("NOx") emissions	333.1	226.7	kg
Sulphur oxides ("SOx") emissions	5.0	3.4	kg
Respirable suspended particulates ("RSP") emissions	26.6	18.1	kg
Total GHG emissions and intensity			
GHG emissions in total	356.1	347.5	tonne(s) CO ₂ -e
Scope 1	23.9	42.4	tonne(s) CO ₂ -e
Scope 2	213.1	241.6	tonne(s) CO ₂ -e
Scope 1 & 2	237.0	283.9	tonne(s) CO ₂ -e
Scope 3	119.0	63.6	tonne(s) CO ₂ -e
Greenhouse gas intensity	0.012	0.007	tonne(s) CO ₂ -e/square foot floor area
	3.54	3.48	tonne(s) CO ₂ -e/employee
HAZARDOUS AND NON-HAZARDOUS WASTE AND INTENSITY			
Total hazardous waste	0.505	1.864	tonne(s)
Hazardous waste intensity	0.010	0.037	tonne(s)/thousand square foot floor area
Total non-hazardous waste	4.676	6.411	tonne(s)
Non-hazardous waste intensity	0.092	0.126	tonne(s)/thousand square foot floor area

⁸ Emissions from vehicles and vessels included, emissions were calculated in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

Environmental Data	2025	2024	Unit
USE OF RESOURCES			
Total direct/indirect energy consumption by type and intensity			
Total energy consumption	655.1	671.0	MWh
Direct energy consumption	169.9	146.6	MWh
Petrol	82.4	90.7	MWh
Diesel/Gas Oil	87.5	55.9	MWh
Indirect energy consumption	485.2	524.3	MWh
Purchased electricity	485.2	524.3	MWh
Energy intensity	0.013	0.013	MWh/square foot floor area
	7.0	6.7	MWh/employee
Total water consumption and intensity			
Total water consumption	296.0	273.0	m ³
Total water consumption intensity	0.006	0.005	m ³ /square foot floor area
	3.2	2.7	m ³ /employee
Total packaging material amount and intensity⁹			
Packaging material amount	0.346	0.143	tonne(s)
Packaging material intensity	0.007	0.003	tonne(s)/thousand square foot floor area
	0.004	0.001	tonne(s)/employee

⁹ Under normal circumstances, no packaging materials are used in the Group's offices. However, due to the replacement of damaged product packaging in one of our branch offices, packaging material was purchased and used for this independent event.

Social Key Performance Indicators

Employment^{10,11}

Number of Employees ¹²		2025		2024	
By Gender	Male	53		56	
	Female	41		44	
By Rank	Level C Senior Management	5		3	
	Senior Management	25		26	
	Middle Management	46		53	
	General Staff	18	94	18	100
By Age Group	30 and below	7		11	
	31-40 years old	18		21	
	41-50 years old	42		41	
	Above 50 years old	27		27	
By Employment Category	Full-time	94		100	
	Part-time	0		0	
Gender Ratio (male to female)		1.29:1		1.40:1	

¹⁰ Based on employees as of 31 December 2025.

¹¹ Other than employees employed by the Group, the Group also has workers that provides services for King's Flair and work at the Group's office from time to time. Other workers include consultants, courier staff, auditors, contractors and other maintenance staff. As the Group does not directly employ nor directly manage the activities of such other workers, it does not have records of the exact number of relevant workers, therefore could not reported.

¹² All of the Group's employees are located in Hong Kong.

New Hire¹³

By Gender	Male	8			11		
	Female	3			17		
By Age Group	30 and below	2	11	12%	8	28	28%
	31-40 years old	2			6		
	41-50 years old	4			9		
	Above 50 years old	3			5		

Employee Turnover¹⁴

		2025				2024			
By Gender	Male	12	23%			18	32%		
	Female	11	27%			18	41%		
By Age Group	30 and below	5	71%	23	24%	12	109% ¹⁵	36	36%
	31-40 years old	8	44%			8	38%		
	41-50 years old	4	10%			11	27%		
	Above 50 years old	6	22%			5	19%		
By Geographical Region	Hong Kong	23	24%			36	36%		

¹³ New hire rate = number of new employees during the Year/number of employees as of 31 December 2025.

¹⁴ Turnover rate = total number of employee turnovers or total number of employee turnovers of that particular category/total number of employees or total number of employees of the particular category as of 31 December 2025.

¹⁵ The Group categorises interns as employees, and thus interns are also included in the calculation of employee turnover rate. The turnover rate observed for the 30 and below age group is partially attributed by interns who have left the Group due to the completion of their corresponding internship programmes.

Health and Safety

Fatality or Injury Rate		2025		2024	
Employees suffering from work-related fatality ¹⁶ or injury	Male	0	0	0	0
	Female	0		0	
Lost days due to work injury	Full-time	0	0	0	0
	Part-time	0		0	

Training

Number and percentage of employees trained ¹⁷				2025		2024			
By Gender	Male	9	17%			42	75%		
	Female	12	29%			36	82%		
By Rank	Level C Senior Management	5	100%	21	22%	1	33%	78	78%
	Senior Management	2	8%			24	92%		
	Middle Management	18	39%			45	85%		
	General Staff	1	6%			8	44%		

Average training hours ¹⁸		2025		2024	
By gender	Male	9.0		2.0	
	Female	12.5		1.8	
By Rank	Level C Senior Management	2.5	11	0.7	1.9
	Senior Management	2.0		3.0	
	Middle Management	18.5		1.7	
	General Staff	1.0		1.1	

Supply Chain Management

Number of Supplier ¹⁹		2025	2024
By Geographic Region	Chinese Mainland	194	200
	Asia (excluding Hong Kong and Chinese Mainland)	1	0

¹⁶ No employees of the Group suffered from work-related fatalities in the past three years.

¹⁷ Percentage of employees trained = total trained employees of that particular category/total number of employees of the particular category.

¹⁸ Average training hours = total training hours of the particular category/total number of employees of the particular category.

¹⁹ All of the Groups suppliers are based in Chinese Mainland and are manufacturing suppliers.

REPORT CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
Mandatory Disclosure Requirements		
Governance Structure		
Board Statement	A disclosure of the board's oversight of ESG issues	4-5
	The board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses)	4-5
	How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses	4-5
Reporting Principles		
Description of the application of the Reporting Principles	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	3, 9-11
Reporting Boundary		
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report	3

Material Aspect	Content	Page Index/Remarks
<i>“Comply or explain” Provisions</i>		
KPIs	HKEX ESG Reporting Code Requirements	Section and Remarks
A. Environmental		
Aspect A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8, 22 Air emissions and discharges into water and land are considered relatively insignificant to King’s Flair’s operations, hence no corresponding policies have been developed.
KPI A1.1	The types of emissions and respective emissions data.	35
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	23
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	23
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	22
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	23
Aspects A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	24
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ‘000s) and intensity (e.g. per unit of production volume, per facility).	36
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	36
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	24

Material Aspect	Content	Page Index/Remarks
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	No issues in sourcing water during the Reporting Year.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	36
Aspect A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	22
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	25
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	8, 18-19
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	37
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	38
Aspect B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	8, 20
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Year.	39
KPI B2.2	Lost days due to work injury.	39

Material Aspect	Content	Page Index/Remarks
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	20
Aspect B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	20
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	39
KPI B3.2	The average training hours completed per employee by gender and employee category.	39
Aspect B4 Labour Standards		
	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	8, 20
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	20
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	20
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	13, 25
KPI B5.1	Number of suppliers by geographical region.	39
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	13-14, 25
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	13-15, 25
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	13-15, 25
Aspect B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	8, 12-17
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	17

Material Aspect	Content	Page Index/Remarks
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	17
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	13
KPI B6.4	Description of quality assurance process and recall procedures.	15, 17
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	13
Aspect B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	8-12
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no legal cases regarding corrupt practices brought against the Group in the Reporting year.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	12
KPI B7.3	Description of anti-corruption training provided to directors and staff.	12
Community		
Aspect B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	33-34
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	33-34
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	33-34

Climate-related Disclosures

HKEX ESG Reporting Code Requirements

Section and Remarks

(I) Governance

19. An issuer shall disclose information about:

- (a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:
 - (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities;
 - (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;
 - (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;
 - (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and
- (b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:
 - (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and
 - (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.

Climate Change Action – Governance

Climate-related Disclosures HKEX ESG Reporting Code Requirements	Section and Remarks
(II) Strategy	
Climate-related risks and opportunities	
20. An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall: (a) describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	
Business model and value chain	
21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose: (a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and (b) a description of where in the issuer's business model and value chain climate related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	

Climate-related Disclosures

HKEX ESG Reporting Code Requirements

Section and Remarks

Strategy and decision-making

22. An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:
- (a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:
 - (i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities;
 - (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);
 - (iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and
 - (iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and
 - (b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).
23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).

The Group has not yet developed a climate-related transition plan or set quantitative climate-related targets.

The Group has not yet developed a climate-related transition plan or set quantitative climate-related targets.

Climate-related Disclosures HKEX ESG Reporting Code Requirements		Section and Remarks
Financial position, financial performance and cash flows		
Current financial effect		
24.	An issuer shall disclose qualitative and quantitative information about:	
(a)	how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and	Climate Change Action – Strategy
(b)	the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	
Anticipated financial effect		
25.	The issuer shall provide qualitative and quantitative disclosures about:	
(a)	how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:	
(i)	its investment and disposal plans; and	Climate Change Action – Strategy
(ii)	its planned sources of funding to implement its strategy; and	
(b)	how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	
Climate resilience		
26.	An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:	
(a)	the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of:	
(i)	the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;	The Group has not yet conducted scenario analysis during the reporting period. Looking ahead, the Group is planning to build the necessary capabilities to conduct such analysis in the future.
(ii)	the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and	
(iii)	the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term;	

Climate-related Disclosures	
HKEX ESG Reporting Code Requirements	Section and Remarks
(b) how and when the climate-related scenario analysis was carried out, including: (i) information about the inputs used, including: (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis); (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out.	The Group has not yet conducted scenario analysis during the reporting period. Looking ahead, the Group is planning to build the necessary capabilities to conduct such analysis in the future.

Climate-related Disclosures

HKEX ESG Reporting Code Requirements

Section and Remarks

(III) Risk Management

27. An issuer shall disclose information about:

- (a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:
 - (i) the inputs and parameters the issuer uses (for example, Climate Change Action – Risk information about data sources and the scope of Management operations covered in the processes);
 - (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;
 - (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);
 - (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;
 - (v) how the issuer monitors climate-related risks; and
 - (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;
- (b) the processes the issuer uses to identify, assess, prioritise and monitor climate related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and
- (c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.

Climate-related Disclosures

HKEX ESG Reporting Code Requirements

Section and Remarks

(IV) Metrics and Targets

Greenhouse gas emissions

28. An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO₂ equivalent, classified as:
- (a) Scope 1 greenhouse gas emissions; Climate Change Action – Metrics and Targets
 - (b) Scope 2 greenhouse gas emissions; and
 - (c) Scope 3 greenhouse gas emissions.
29. An issuer shall:
- (a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; Our GHG emissions calculation methodology is in accordance with the Greenhouse Gas Protocol. The Group has adopted operational control approach to measure our greenhouse gas emissions. Please refer to page 32 for the details of GHG emissions calculation.
 - (b) disclose the approach it uses to measure its greenhouse gas emissions including:
 - (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; Climate Change Action – Metrics and Targets
 - (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and Our GHG emissions calculation methodology is in accordance with the Greenhouse Gas Protocol. The Group has adopted operational control approach to measure our greenhouse gas emissions. Please refer to page 32 for the details of GHG emissions calculation.
 - (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;
 - (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and
 - (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Climate-related Disclosures HKEX ESG Reporting Code Requirements	Section and Remarks
Climate-related transition risks	
30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Although the Group has identified climate-related transition risks during the reporting period, assessment results show that the Group's current mitigation measures are sufficient to respond to these transition risks. Consequently, no assets or business activities have been identified as being significantly affected by transition risks. The Group will continue to monitor these transition risks and prepare to disclose relevant quantitative data in the future where appropriate.
Climate-related physical risks	
31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Although the Group has identified extreme weather events as its main climate-related physical risk during the reporting period, assessment results show that the Group's current mitigation measures are sufficient, and consequently, no assets or business activities have been identified as being significantly affected by physical risks. The Group will continue to monitor these transition risks and prepare to disclose relevant quantitative data in the future where appropriate.
Climate-related opportunities	
32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	The Group has identified climate-related opportunities during the reporting year and have also implemented relevant initiatives in its operations. Since these opportunities have not generated material benefits yet, no assets or business activities have been identified to be significantly affected by climate-related opportunities. The Group will continuously monitor these opportunities and prepare to disclose relevant quantitative data in the future where appropriate.

Climate-related Disclosures

HKEX ESG Reporting Code Requirements

Section and Remarks

Capital deployment

33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities. Although the group has invested in sustainable opportunities, the capex that were invested were not financially material.

Internal carbon prices

34. An issuer shall disclose:
- (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and
 - (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.
- Currently, the Group has not yet applied internal carbon prices.

Remuneration

35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv). Currently, the Group as not yet linked the remuneration policy with climate-related issues. We will explore the potential for adopting in coming years.

Climate-related Disclosures		Section and Remarks
HKEX ESG Reporting Code Requirements		
Industry-based metrics		
36.	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	The Group will explore the potential for setting industry-based metrics in coming years.
Climate-related targets		
37.	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose: (a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	The Group will explore the potential for setting qualitative and quantitative climate-related targets in future years.
38.	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions.	The Group will explore the potential for setting qualitative and quantitative climate-related targets in future years.

Climate-related Disclosures HKEX ESG Reporting Code Requirements		Section and Remarks
39.	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	The Group will explore the potential for setting qualitative and quantitative climate-related targets in future years.
40.	For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:	
	(a) which greenhouse gases are covered by the target;	The Group will explore the potential for setting qualitative and quantitative climate-related targets in future years.
	(b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;	
	(c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target;	
	(d) whether the target was derived using a sectoral decarbonisation approach; and	
	(e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose:	
	(i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;	The Group will explore the potential for setting qualitative and quantitative climate-related targets in future years.
	(ii) which third-party scheme(s) will verify or certify the carbon credits;	
	(iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and	
	(iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	
Applicability of cross-industry metrics and industry-based metrics		
41.	In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	The Group will consider applying the cross-industry metrics in the future.