長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED

股份代號 Stock code : 294

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

環 境 、 社 會 及 管 治 報 告

2025/26

For the Year Ended 31st March, 2026

截至二零二六年三月三十一日止年度

Contents

1. ABOUT THIS REPORT

1.1. Overview

This Environmental, Social and Governance ("ESG") Report (the "Report") is published by the Yangtzekiang Garment Limited (the "Company") (HKEx Stock Code: 294), its subsidiary and joint ventures (hereafter referred to as the "Group"), disclosing its strategy and performance of corporate social responsibilities ("CSR") aligned with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Code ("ESG Code") issued by the Hong Kong Stock Exchange Limited ("HKEx").

1.2. Scope of the Report

This report covers the CSR management approach and performance with respect to the Environmental, Social and Governance during the year from 1 April 2025 to 31 March 2026 ("FY2025/26"). This Report focuses on the relevant operational information of the core businesses related to the manufacturing and sales of garments during FY2025/26. Given that both revenue contribution and the impact of our business activities on the environment and society, the scope of the Report encompasses the Group's Hong Kong Head Office as well as subsidiary and joint ventures in Chinese Mainland and Ethiopia as follows:

Location of Head Office	Name of the Head Office
Hong Kong	Yangtzekiang Garment Limited ("the Company" or "Head Office")
Location of subsidiary	**Name of subsidiary**
Panyu, China	Exquisite Knitters (Guangzhou) Limited ("EQK")
Location of joint ventures	**Name of joint ventures**
Wuxi, China	Wuxi YGM Textile Co., Ltd. ("Wuxi")
Taizhou, China	Taizhou Changxin Textile (Xinghua) Co., Ltd. ("TZCX")
Ethiopia	Wuxi Number One Cotton Ethiopia Textile Plc ("WNOC")

Unless otherwise stated, the environmental and social data in the Report covers the entire Group.

1.3. Reporting Standards and Principles

This Report has been prepared in accordance with the ESG Code under Appendix C2 of the Rules Governing the Listing of Securities on HKEx. We have followed the Reporting Principles as recommended by HKEx to define the report content, including:

I. Materiality The disclosed information in the Report was carefully gathered, evaluated and presented based on its materiality to the Group's business and its stakeholders (See section 3.2 for further details). The reporting scope is defined based on the significance of operations in terms of revenue contribution and ESG impact.	**II. Quantitative** All the disclosed information, statistics of key performance indicators ("KPIs") in particular, were organized and calculated according to a series of standardized methodologies which are illustrated in the relevant sections.
III. Balance Information is disclosed as objectively as possible to provide stakeholders with an unbiased picture of the Group's overall ESG performance.	**IV. Consistency** The report is written in accordance with the ESG Code, in order to ensure consistency with its contents. In the event of inconsistency, including any changes in reporting scopes and/or methods of computation for KPIs, the Group will explain in the Report.

1.4. Feedback for this Report

Your views and suggestions help formulate and reinforce the Group's future sustainability direction and strategy. We hope you can provide us with your valuable comments at cs_info@ygm.com.hk.

2. BOARD STATEMENT

In the face of evolving business landscapes and economic conditions, the Group remains steadfast in its dedication to sustainable development. Our ongoing sustainability initiatives and investments are strategically aimed at promoting long-term growth. The Group has consistently integrated sustainable practices and measures into its daily operations. These actions address current needs while sustaining enduring growth, benefiting our customers, investors, suppliers, partners, and employees in the years to come.

Established in 1949, Yangtzekiang Garment Limited ("YGM") has grown to become a leading garment manufacturer that provides high-quality products and services. Not only is our commitment to ESG a strategic imperative, but it is also a reflection of our core values. As a corporate citizen, we are committed to creating a positive impact on our communities and conserving the environment while maintaining the quality of our businesses. Our pathway also moves towards greater transparency to our stakeholders with our disclosure of sustainability management approaches and performances.

As global challenges intensify, we remain resolute in our commitment to sustainable growth across all facets. On behalf of the Board of Directors (the "Board"), I would like to express my gratitude to the trust of our shareholders and convey my sincere appreciation to the continued dedication of our employees. Moving forward, the Group will proactively strengthen its ESG strategy to promote sustainable development in all respects.

At YGM, the Board provides active oversight of the Group's operations, climate performance, and associated risks, guiding the development of strategies, policies, and directions to address both ESG and climate-related challenges. Climate considerations are embedded in business operations, strategy formulation, and compensation structures through performance-linked indicators, ensuring accountability and incentivizing effective governance.

Amid evolving economic and environmental landscapes, the Group remains steadfast in its commitment to sustainable development, integrating ESG principles into daily operations to support long-term growth and resilience. Over the long term, we support the country's national goals of achieving carbon peak before 2030 and carbon neutrality by 2060. Through transparent disclosures, sound governance, and full compliance with applicable laws and regulations, we aim to create lasting value for our stakeholders while contributing positively to the environment and the communities in which we operate.

Through our joint operations with partners across different countries, we are committed to upholding human rights, as well as maintaining high standards in health and safety, while taking measures to prevent child and forced labour. Our business creates employment opportunities globally, and we strive to ensure that all employees are treated fairly, rewarded appropriately, and work in a safe and healthy environment. In addition, we actively partner with charitable organisations and support community initiatives, further strengthening our commitment to social responsibility.

The Report was confirmed and approved by the Board on 29 June 2026.

By Order of the Board
Chan Wing Fui, Peter
Chairman, Yangtzekiang Garment Limited, Hong Kong

2.1. Governance Structure

The Board takes full responsibility for the Group's ESG strategy, management and performance, as well as reviews material ESG-related issues and development progress. In order to enhance the managerial level oversight of ESG issues, we have an ESG committee, led by senior management. The ESG committee is responsible for reporting ESG issues and risks to the Board and chairman regularly. To address the ESG risks, all department heads and factory managers are required to identify, evaluate and report the existing and potential ESG risks of their business lines to the board's risk management committee for internal discussion and review on a regular basis. The Group will continue to improve our ESG governance through regular monitoring of the ESG progress and proposing countermeasures.

Sustainability Governance Structure of YGM

Board of Directors

Risk Management Committee	ESG Committee
• Assist the Board in overseeing the Group's risk management and internal control processes. Regularly report to the Board on the status and findings from all department heads and factory managers.	• Responsible for implementing sustainability policies and measures, monitoring ESG performance and target, reviewing the feedback from stakeholders.

2.2. United Nations Sustainable Development Goals

At YGM, we are committed to promoting sustainable development and aligning our business practices with the United Nations' 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). By supporting the SDGs, we aim to address critical social, economic, and environmental challenges and build a better world for people and the planet. As a responsible corporate citizen, we have identified the SDGs that are most relevant to our business development during the reporting period.

Aspect	Material issues	Relevance to our business operations	Relevance to the SDGs
Caring For People	Child and forced labour	The Group prudently prohibited all forms of child labour and forced labour. We undertake due diligence throughout the recruitment process. All job applicants are required to provide personal identity documents for verification of age. To prevent forced labour, all employees are required to sign a labour contract to ensure the employment is on an equal and voluntary basis.	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
	Human rights	The Group is dedicated to protecting the human rights of our employees by promoting the freedom of trade unions and collective bargaining.	
	Health and safety	The Group strives to provide a healthy and safe working environment to our employees. We implement workplace safety guidelines and comply with relevant laws and regulations.	3 GOOD HEALTH AND WELL-BEING
Operations Practices	Anti-corruption	The Group regards corruption-free work culture as the foundation of our business development. We do not tolerate any forms of bribery, extortion, fraud or money laundering in our business operations.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Product responsibility	Product responsibility is always our main focus. We are in full compliance with relevant laws and regulations to ensure our products conform to safety standards with minimal environmental impacts.	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

2.3. Sustainability Policy

The Group is deeply committed to corporate social responsibility and sustainability. This is reflected in our "Commitment Letter to Promote Corporate Social Responsibility Management System" as well as our "Social Responsibility and Code of Conduct" policies. These guidelines outline our principles and approach to integrating ESG considerations into our business operations and decision-making. We are dedicated to upholding ethical standards, protecting human rights, promoting worker welfare, minimizing our environmental impact, and creating shared value for our stakeholders. These enable us to operate as a responsible corporate citizen and contribute positively to the communities in which we operate. We continuously work to strengthen our ESG performance and transparently report on our progress through this ESG report and other communication channels, which are listed in the stakeholder engagement section, to engage with our stakeholders actively.

3. OUR ESG APPROACH

3.1. Stakeholder Engagement

Communication is the key to success. The Group believes that listening to stakeholders' opinions and effectively responding to their concerns are of paramount importance. This is the foundation for us to get prepared for future sustainable development and the role of a corporate citizen. As such, our sustainable development strategies primarily focus on facilitating stakeholders' understanding of our targets and collecting their feedback so as to implement better approaches and strengthen our sustainable development.

Our major stakeholders include shareholders, clients, employees, suppliers and business partners, and communities. Over the past year, we have engaged through various channels, which are illustrated in the table below:

Stakeholder groups	Communication channels
Shareholders	• The Company's website • Company announcements • Annual and general meetings • Annual and interim reports • Survey
Clients	• Meeting and promotion activities • Company website • Customer direct communication • Customer feedback and complaints • Survey
Employees	• Training and orientation • Emails and opinion box • Regular meetings • Employee performance evaluation • Employee activities
Suppliers and business partners	• Supplier meetings • Performance assessment • Regular communication with business partners (e.g. emails, meetings, on-site visits etc.)
Communities	• Training • Email • Survey

3.2. Materiality Analysis

Materiality assessment helps us identify ESG priorities that we should focus on and report to our stakeholders. It also helps us better utilize our resources to address the most critical issues identified by our stakeholders. In order to identify the ESG issues that are material to the Group in formulating appropriate ESG strategies for ESG management and determining the direction of the Report, a materiality analysis is conducted through the following process:

Identification

- **Identify and map a list of ESG topics**
- **Identify key stakeholder groups**

Engagement

- **Conduct stakeholder engagement exercise**

Analysis & Evaluation

- **Prioritize ESG topics by materiality assessment**
- **Review its result for ESG report disclosure and performance improvement**

Considering our businesses did not undergo significant changes compared with the preceding financial year, the materiality results with reference to the industry standards and benchmarks remain relevant and applicable this year as well. The following six material issues covering social, operations and environmental aspects have been identified as being material to our stakeholders and the Group's business and are thus focused on by the Group.

Child and forced labour	Human rights	Health and safety
Anti-corruption	Product responsibility	Use of electricity

3.3. Sustainability Performance Highlights

Environmental		
Supported HKSAR government's Climate Action Plan 2050	Carbon reduction targets are set to progressively enhance and support our environmental protection goals	3,152,000 kWh of energy generated by solar power
Social		
HKD $12,000 community donation and supported Green Deposit Program organized by BEA, amounting to an annual average of USD7,300,000	22 average training hours per employee	Zero work-related fatalities
Governance		
Supported the UN Sustainability Development Goals	Organized 3 anti-corruption trainings for employees	ESG committee enhanced the managerial level oversight of ESG issues

4. CARING FOR PEOPLE

The success of our business depends on the untiring efforts and dedicated service of all employees. The Group is committed to paying double efforts to attract, retain, and cultivate our talents for the sake of maintaining its market competitiveness. Not only do we formulate a series of employment policies to ensure that employees are treated fairly, but also provide competitive and attractive remuneration packages as well as benefits including medical insurance, retirement schemes, performance-based bonuses and suchlike. We encourage our employees in their professional training and development and support them to achieve a healthy work-life balance. We regularly review employment policies, remuneration packages as well as health and safety practices in an attempt to create a safe and caring working environment for our employees.

4.1. Labour Standards

The notion of "Protecting children from harm" is every company which bears the burden of social responsibility must strictly adhere to. Referencing relevant laws and regulations concerning labour and forced labour in each operational region, we formulate and prudently comply with the *Code of Conduct* and *Employee Handbook*, which clearly states the prohibitions of any form of child or forced labour. The Group undertakes due diligence throughout the recruitment process. All job applicants are required to provide personal identity documents for verification of age. The Group also ensures that all employees work on a voluntary basis and they can resign according to the requirements of their respective employment contracts. Bonded or forced labour, corporal punishment or coercion of any type related to work are prohibited. Besides, we will eliminate any incident of child labour and forced labour in accordance with the relevant laws and regulations of the operating regions. During the reporting period, there was no violation regarding child and forced labour.

4.2. Employment

The Group conducts our business and operation with the notion of "equality for all" in mind. On this ground, we are dedicated to promoting equal opportunities for all our employees in several different areas, including but not limited to recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. The "*Recruitment Policy*" established by EQK as well as the "*Equal Opportunity Policy*" and "*Equal Opportunity Issue Handling Procedure*" established by our head office outlines our commitment to providing a fair and inclusive working environment that embraces and promotes diversity.

For the sake of creating a fair and equal workplace for all employees, we carry out recruitment work according to job requirement. All job applicants are treated fairly and reasonably throughout the recruitment process. The group evaluate job applicants in terms of their work experiences, skills and knowledge. We never reject applications based on gender, marital status, religion, age, race, political affiliation, and physical or mental disability. We also respect the rights of employees to join associations freely and bargain collectively. The labour union at Wuxi and feedback channels at WNOC are established to provide a platform for employees to voice their opinions and concerns.

Our employment contracts comply with applicable local labour laws and regulations, covering areas such as wages, overtime, working hours, compensation, rest periods and termination. Remuneration is based on employees' performance and experience, with reference to market levels. We provide benefits including overtime meal allowances, birthday, accommodation benefits, and transportation allowances. Employees are entitled to paid leave, including statutory holidays, sick leave, and maternity and paternity leave in accordance with local laws. The Group also offers year-end double pay, a provident fund scheme, medical insurance, and training opportunities.

We aim to create a positive and supportive work environment that values our employees' contributions and encourages them to develop their skills and expertise. At Wuxi, we have developed the "*Group Salary Management System*", "*Group Leader Promotion Management System*" and "*Wuxi Number One Cotton Performance Evaluation and Management Measures*". These policies ensure that our employees are fairly compensated and have opportunities for career advancement. We regularly assess and adjust our starting salaries based on market conditions. Besides, we establish staff promotion and internal job performance management systems to provide clear paths for career growth.

During the reporting period, the Group was in full compliance with the relevant laws and regulations in which we operate.

The following table shows the Group's number of employees by gender, age, geographical location and employment type as at 31 March 2026:

	FY25/26	FY24/25
Total workforce	**1,918**	**2,032**
By gender		
Male	1,144	1,193
Female	774	839
By employment type		
Full-time	1,914	2,029
Part-time	4	3
By age		
Under 16	0	0
16-29	781	547
30-50	802	1,110
51 or above	335	375
By region		
Hong Kong	76	87
Chinese Mainland	1207	1,342
Other	635	603
By employee category		
Senior management	24	21
Middle management	164	116
Non-management	1,730	1,895

Note:
- *The calculations are based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange*

The Group's employee turnover rate by gender, age group and geographical location as at 31 March 2026 is as follows:

	FY25/26	FY24/25
Employee turnover rate	**41.76%**	**23.82%**
By gender		
Male	39.34%	24.06%
Female	45.35%	23.48%
By region		
Hong Kong	23.68%	10.34%
Chinese Mainland	14.66%	16.92%
Others	95.43%	41.13%
By age		
Under 16	0.00%	0.00%
16-29	77.85%	42.96%
30-50	16.83%	15.95%
51 or above	17.31%	19.20%

Note:
- *The calculations are based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange*

4.3. Health and Safety

With the notion of "Safety first", the Group considers people's health and safety as well as psychological and physical well-being are always placed in our top priorities. We consistently put tremendous efforts on the provision of comfortable and safe environment to all employees in our premises with the goal of creating an accident-free workplace. The Group has also outlined the health & safety standards for our employees in the *Health & Safety Policy* and *Code of Conduct*. Standard procedures such as special and routine inspections are formulated to identify safety risks and provide guidance on appropriate health and safety practices at the workplace to prevent potential accidents.

We prioritize fire safety by providing essential equipment such as smoke detectors, fire escape routes, first-aid boxes, and fire extinguishers, as well as installing smoke doors to prevent the spread of fire and smoke. In addition, we conduct regular fire drills to ensure that our employees are prepared to respond quickly and safely in case of an emergency. Furthermore, we adopt 5s management system (sort, set in order, shine, standardize and sustain) to create and tidy workplace to avoid work-related injuries.

In addition, the Group also identifies high-risk areas in the workplace. We install warning signs and safety barriers in high-risk areas as well as provide safety training for employees to alert them to potential dangers and prevent accidents. Furthermore, a regular testing of ventilation, temperature and dust is conducted in order to guarantee the safety of the working environment. Besides, we provide relevant health and safety training to employees especially to those who are responsible for handling chemicals or machines including electricity generators and boilers. The corresponding personal protective equipment such as gloves and ear protectors are provided to the employees who are required to wear such equipment during work to avoid any acute or chronic diseases. For employees who have worked for a certain number of years at Wuxi, the Group arranges annual health check-ups.

The Group recorded zero work-related fatalities for the three consecutive years, including the reporting period. During the reporting period, there was 1 work-related injury and 0.25 lost day. The Group will continue to implement improvement measures to achieve its target of zero occupational incidents. No cases of non-compliance with occupational health and safety laws and regulations were reported during the year.

	FY25/26	FY24/25	FY23/24
Work-related fatalities	0	0	0
Work-related injuries	1.0	2.0	0
Lost days due to work-related injury	0.25	26.5	0

4.4. Development and Training

The Group recognizes that the professional competence and development of our employees are crucial to our success in today's unpredictable market. We are committed to providing all-round training opportunities for our staff, including education allowances, seminars, and on-the-job training. For new employees, we offer induction training that introduces our corporate background, facilities, staff handbook, and social responsibility. In addition, we assign experienced staff members to guide new employees, ensuring a smooth transition into our workplace. We also offer trainee programs for university students in Ethiopia to gain practical experience and develop their skills.

To continuously improve our staff's knowledge and skills, we regularly review their education needs and provide various training opportunities, such as in-house discussion meetings and seminars conducted by third parties. We organize health and safety courses and technical training for our employees in Chinese Mainland to raise their awareness and knowledge of health and safety and environmental issues, ensuring that we meet our clients' expectations and requirements.

During the reporting period, the percentage of trained employees in the Group and the average number of training hours per employee are as follows:

Percentage of employees trained (%)	FY25/26	FY24/25
By gender		
Male	48.51%	57.55%
Female	51.49%	42.45%
By employee category		
Senior management	1.27%	1.28%
Middle management	11.73%	8.15%
Non-management	87.00%	90.57%
Average training hours per employee (hour)		
By gender		
Male	22.15	12.17
Female	22.07	10.86
By employee category		
Senior management	41.33	8.83
Middle management	47.98	9.52
Non-management	19.38	11.79

Note:
- *The calculations are based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange*

5. OPERATING PRACTICES

The Group emphasizes the quality of goods and services with the highest degree of integrity to our clients. Not only do we endeavour to satisfy the requirement of clients through the continuous improvement of our products and services, but also adopt a zero-tolerance approach against any bribery and corruption behaviours within our business. According to the materiality analysis results, the top six material ESG issues including "Anti-corruption" and "Product Responsibility" are highlighted in this section.

5.1. Anti-corruption

The Group advocates integrity and ethical operation, expecting all employees to uphold integrity, ethical and professional standards. The reputational capital of the Group is built on its long-established standards of ethics in conducting business.

The Group adopts a zero-tolerance approach toward any forms of corruption, including bribery, extortion and money laundering as stipulated in our social policy. We are also committed to strictly complying with all applicable anti-bribery laws of different jurisdictions, such as the *Criminal Law* of the People's Republic of China and the *Anti-Unfair Competition Law* of the People's Republic of China.

As stipulated in our social policy, we have implemented a zero-tolerance approach to bribery extortion, fraud or money laundering. In addition, our "*Code of Conduct*" established by head office as well as the "*Funds Management System*" formulated by WNOC, specifies the standards of conduct in relation to conflict of interests. Regular corruption assessments are conducted to detect bribery, fraud or other malpractice activities. All employees are required to report any potential violation of the "*Code of Conduct*" or other Group Policies to the management or the relevant government department. We also strive to maintain strict confidentiality concerning the identity of the whistle-blowers, a whistleblowing procedure is in place whereby potential breaches including misconduct, malpractices and/or suspicions of fraudulent activities can be reported confidentially, anonymously and without any risk of reprisal. Any director or employee in breach of relevant policy will be subject to disciplinary action.

Apart from the above policies, the Group conducted 3 anti-corruption trainings for employees to reinforce the alertness of anti-corruption and business ethics during the reporting period. Through the training, we provide some case studies for guiding employees in handling different situations. From the top management to general employees, there is a mindset of anti-corruption. The Group will continue to review and improve our anti-corruption policy and training regularly to prohibit any violations.

During the reporting period, there were no reported incidents of non-compliance with laws and regulations in relation to anti-corruption.

5.2. Product Responsibility

In line with our value of "Quality First", we not only strive to provide quality products and excellent services, but also ensure the health and safety of our products by preventing the risks of health and safety accidents owing to product usage. Besides, we guarantee the provision of clear and unbiased information which allows our clients to make an informed decision form an indispensable part of our values and principles.

The Group implements Quality Control systems to manage our product quality performance and enhance the quality. Our product quality is in accordance with the requirements of clients and operating areas. For instance, our joint venture at Wuxi has obtained ISO9001: 2015 certification and thus maintained the quality management system with respect to the design and manufacture of yarn and textile products. We prioritize the quality of our yarn and textile products and conduct weekly assessments of their quality. Our testing cycle includes both semi-finished and finished products to ensure that quality is maintained throughout the production process. We also conduct regular testing of product quality through our 'Central Testing Laboratory' (Standard Testing Laboratory) to guarantee that our products meet the highest standards.

Moreover, factory compliance audits have been conducted by our clients or audit firms assigned by our clients regularly to ensure optimum product quality and production capabilities, as well as compliance with international labour and environmental laws. In addition to satisfying the client's requirements, the Group ensures all manufacturing stages, namely fabric selection, marker making, fabric cutting and testing of our products conform to the product standards. The *Employee Handbook* outlines the Group's standards and policies, including those related to product quality, health and safety, employee conduct, and workplace procedures. These policies contribute to sustainable and profitable growth by guiding how to offer products that provide customer satisfaction while complying with the relevant laws and regulations.

The Group is dedicated to providing high-quality products and services and pays close attention to all complaints and recall requests. We have established a sound complaint handling mechanism to respond to customers as soon as possible, which includes developing a customer complaint filing system, assigning a dedicated person for handling complaints, and tracking feedback. We also have a corrective and preventive measures system and a system for analyzing significant quality incidents.

To ensure the quality of our products, we conduct regular inspections before their departure from the warehouses and only execute shipments after receiving approval from clients on the Acceptable Quality Limit ("AQL") report. We have a recall process that ranges from checking the product or service to notifying customers. Additionally, the Group observes strict compliance with relevant local and national regulations relating to health and safety, advertising, labeling, and privacy matters relating to products and services provided, as well as methods of redress.

At Wuxi, we collect customer feedback through a 'Customer Satisfaction Survey' to improve our products and services continually. Furthermore, we develop long-term improvement methods for each complaint. Our commitment to quality and customer satisfaction demonstrates our dedication to providing the best products and services possible and building lasting relationships with our customers.

Intellectual Property Rights

The Group values confidential information, which covers any trade secrets or any confidential information that is essential for running the business. To safeguard the intellectual property rights of our customers' clothing design, visitors or employees (excluding relevant staff) are prohibited from taking photographs in the production area. Employees are prohibited to share any information related to the Group's trademarks, raw materials, product development, craftsmanship, orders, prices and profits with any irrelevant personnel.

Additionally, the relevant department shall sign agreements with respect to intellectual property rights and confidentiality with its suppliers. The agreements allow all parties to be aware of the ways the intellectual property will be used and the ultimate rights of using and distributing the materials. Thereby, the interest of our customers, the Group and any parties involved are highly protected.

During the reporting period, we strictly complied with relevant laws and regulations of the operating regions in relation to product quality, health and safety, intellectual property right, privacy and suchlike.

5.3. Supply Chain Management

Over the years, the Group has strictly monitored the quality performance, environmental and social management of each supplier. We always work closely with both clients and suppliers, primarily located in Chinese Mainland. Regular audits, such as social audits, safety audits and/or technical audits are conducted at our factories by some of our clients to check whether their *Supplier Code of Conduct* is being observed. If any issue remains outstanding within the period, they also run a follow-up audit to leave no room for non-compliance.

During the reporting period, the Group engaged 715 suppliers from different locations. The following table shows the number of suppliers by geographical region during the reporting period:

Region	Number of suppliers
Chinese Mainland	604
Hong Kong China	55
Other	56

The Group endeavours to drive responsible practices along the entire supply chain and align with the principle of open, fair and just procurement. Our selection of suppliers is mainly in accordance with five criteria — availability for production, price, credibility, capability, and full compliance with local laws and regulations. The *Supply Chain Management Policy* established at EQK defines standards and guidelines for transparent, fair and efficient supplier selection by the Group as well as for quality-focused collaboration.

In light of the impacts of climate change, the regulatory requirement has been tightened in operations, products and services in recent years. In an attempt to promote green procurement, we always encourage suppliers and clients to apply environmentally-friendly designs and packaging. We give priority to suppliers with sound environmental management and local suppliers whenever appropriate. These allow consistent production of high-quality green products from start to finish, thus the supply chain and the entire product life-cycle become more sustainable, resilient and ever-growing.

5.4. Community Investment

At YGM, we are committed to making a positive impact on the communities where we operate. In 2014, we established the YGM Corporate Volunteering Team to encourage our employees to engage in community activities. The team provides our employees with opportunities to participate in volunteer work and activities, and we offer several incentives to encourage participation. These incentives include fare subsidies, certificates, and insurance purchases by the Group. We also grant a half-day leave for every two activities participated in by colleagues taking part in charity and volunteer services.

Furthermore, we actively seek opportunities to support communities through donations and volunteer initiatives. During the reporting period, we contributed 600 units of supplies to support relief efforts for the Tai Po Wang Fook Court fire incident, and donated HKD 2,000 to The Community Chest's "Hong Kong Island, Kowloon Walk for Millions". We also made a charitable donation of HKD 10,000 to the Lifeline Express Hong Kong Foundation in support of the Lifeline Express 3.5KM Charity Walk 2025, helping underprivileged cataract patients in Chinese Mainland regain their eyesight.

Furthering environmental protection and sustainable development in our community, we participated in the Green Deposit Program organized by the Bank of East Asia, Limited ("BEA"), amounting to an annual average of USD7,300,000. This enables us to join hands with BEA to support green projects and businesses in society.

Moving forward, we will continue to support the communities in which we operate, promoting healthy, resilient and sustainable community development.

6. ENVIRONMENTAL MANAGEMENT

Environmental conservation is one of the aspects of sustainable development. The Group is committed to making contributions to environmental protection so as to achieve sustainable development. To address the environmental issues and mitigate their impacts on our operations, our subsidiary has either developed an overall Environmental Policy or implemented various environmental requirements. In addition, our joint venture in Wuxi has obtained ISO14001:2015 Environmental Management System certification with respect to the design, manufacture and relevant management process of yarn and textile products. As such, our management systems' effectiveness is evaluated regularly to ensure the pathway towards sustainable development.

We strictly comply with relevant laws and regulations of the operating regions. There was no prosecution case involving the Group in respect of any environmental law during the Reporting Period. To further practice environmental protection, we usually review our manufacturing process if there is any improvement, draw up plans and implement a set of mitigating measures for a better environment.

We are committed to avoiding, mitigating and monitoring the environmental impacts through the following measures, whenever practicable:

- Efficient use of resources such as energy, water and raw materials
- Waste reduction by minimizing waste at source and recycling used product
- Optimization of material use
- Compliance with applicable environmental legislation, rules and regulations
- Regular review of our operational controls to enhance our environmental performance
- Communication with internal and external stakeholders on environmental performance
- Environmental awareness building of employees through education and corporate activities

The Group's emissions targets and steps taken to achieve them are as follows:

Environmental targets	Directional statements	Measures taken during the year
Renewable Energy	• Use of renewable energy to reduce our reliance on non-renewable sources and minimize our impact on the planet	• Applied 3,152,000 kWh of energy generated by solar power at Wuxi
Energy efficiency improvement	• Reduce the number of office equipment that unduly consumes energy • Apply energy saving products that increase energy efficiency	• Retrofit a centrifugal air compressor at Wuxi, resulting in a reduction of over of 325,000kWh of electricity and 40 tonnes of standard coal • Underwent energy-saving reforms for the improvement of electronic drafting units of our equipment at Wuxi • Optimized the air conditioning piping at WNOC, thus reducing electricity consumption • Applied energy efficient appliances and products such as LED light bulbs, thereby increasing energy efficiency • Turned off idle electrical appliances, computers, lighting and air conditioning when leaving the workplace, thereby reducing the number of power consumption equipment • Shutdown unnecessary machines for running during non-office hours or non-peak hours to reduce the energy consumption • Promoted energy saving through training regularly to conserve energy • Inspected the implemented machinery scheduling regularly to improve energy efficiency
Water efficiency improvement	• Reduce and monitor the water consumption • Prevent water leakages	• Turned off the water tape after use to eliminate the unnecessary water consumption • Applied auto-stop water tap, wherever applicable, to improve the water use efficiency • Promoted water saving messages to our staff by updating water-saving signage in a common area, thereby reducing the water consumption • Implemented proper maintenance to prevent water leakage, thereby avoiding the waste of water resources

Environmental targets	Directional statements	Measures taken during the year
Greenhouse Gases (GHG) Emission reduction	• Reduce the need for the purchased electricity, thereby reducing the generation of indirect GHG • Minimize air emission from fuel combustions to reduce the generation of direct GHG	• Turned off the idle electrical appliances, computer, lighting and air conditioning during non-office hours or when leaving the workplace to reduce GHG emitted indirectly from power consumption • Shutdown unnecessary machines for running during non-office hours or non-peak hours to minimize GHG emitted indirectly from power consumption • Motivated employees to minimize the use of fuel through training, thereby reducing the generation of direct GHG • Monitored the mobile combustion of vehicles as well as the emission of air pollutants from the use of boilers and back-up generators to ensure compliance with relevant legal standards • Inspected gas lines regularly to prevent gas leakage, thereby avoiding the waste of fuel and air emission • Increased use of new energy vehicles and electric vehicles to reduce mobile combustion
Waste reduction	• Reduce paper waste generated from the office operation • Reuse materials from the operations • Recycle waste such as paper, aluminium cans and plastics items • Environmental education	• Established an OA office system to apply for and approve relevant matters through the OA system in order to reduce paper usage • Set up an ERP system to manage production, sales, procurement, warehousing, and cost accounting, which helps to avoid unnecessary printing on paper • Used paper on both sides to reduce the waste of paper • Reused materials such as yarn, gum tape, and polythene, thereby minimizing the waste of materials • Set up recycle boxes for recyclable materials including paper, aluminium cans, and plastics • Posted environmental information at the operating places, to enhance employees to reduce both hazardous and non-hazardous waste

6.1 Emissions

6.1.1 Air and Greenhouse Gas Emissions

Air Emission

As the garment manufacturing process is involved in materials transportation, the use of boiler and back-up generator, these activities cause air emissions in the surrounding environment. The main air emissions sources of the Group are generated from the fuel consumption of vehicles. Nitrogen Oxides (NOx), Sulphur Oxides (SOx) and Particulate Matters (PM) are the major air pollutants. As a responsible enterprise, we make every effort to control air emissions through a series of environmental measures. We monitor the fuel consumption of vehicles for our regular review and nurture the awareness of employees. We also minimize activities that cause environmental impacts such as the combustion of fossil fuels. In order to avoid the pollution of surrounding soil and water, all factories are required to monitor emission quality on a regular basis and measure the level of air pollutants emitted from business operations, all of which are in full compliance with the relevant legal standards of the operating regions. At Wuxi, we appointed an independent third party to conduct regular air emission testing to ensure compliance with all applicable legal standards.

The Group's air pollutant emissions during the reporting period are as follows:

Type of Pollutants	Unit	FY25/26	FY24/25
NOx	kg	139.62	187.38
SOx	kg	3.30	4.64
PM	kg	13.22	17.86

Note:
- *The calculations are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange*

Greenhouse Gas Emission

Greenhouse gas ("GHG") emissions are categorized into Scopes 1 and 2 expressed in tonnes of carbon dioxide equivalent (tCO_2e). Emission from electricity purchased is the major emission source which shares 99.95% of the overall emission. The remainder comes from mobile combustion of gasoline, diesel and stationary sources of diesel oil combustion under the operational control of the Group.

The Group endeavours to reduce GHG emissions across its operation and targets to reduce its operational footprint gradually. For the sake of managing the GHG emissions controlled by the Group, particularly in energy consumption along its production line. We formulate various energy conservation measures to reduce the carbon footprint during operations such as applying energy-efficient LED lighting systems and switching off idle electric appliances. Furthermore, the gas lines are inspected regularly to prevent gas leakage. We will continuously minimize our environmental impacts by exploring more energy-saving plans such as adopting solar energy.

This year, we have demonstrated our company's commitment to sustainability and environmental responsibility by applying 3,152,000 kW of energy generated by solar power at Wuxi. By utilizing this renewable energy source, we can reduce our reliance on traditional energy sources and minimize our impact on the environment. Our continued efforts to explore and implement more renewable energy sources will help us to achieve a more sustainable and environmentally friendly future.

6.1.2 Waste Management

The Group emphasizes waste management. We require all factories to prudently implement the relevant requirements for the treatment of waste. Both hazardous waste and non-hazardous waste are treated in full compliance with local laws and regulations. Any non-reusable fabric pieces were collected by a qualified waste handler in Chinese Mainland. As our manufacturing process mainly involves the sewing of garments, lubricant oil and light tubes are the only hazardous waste generated, and they are stored in designated areas and disposed of properly through qualified contractors.

In terms of wastewater management, we endeavour to responsibly handle wastewater discharge. The Group abide by the relevant laws and regulations in which we operate. In both Hong Kong and Chinese Mainland, our domestic wastewater generated is properly managed by the municipal treatment facilities provided by the government.

In order to reduce paper, Wuxi established an OA office system to apply for and approve relevant matters through the OA system in order to reduce paper usage. Wuxi also set up an ERP system to manage production, sales, procurement, warehousing, and cost accounting, which helps to avoid unnecessary printing on paper. In addition, the Group practices paper conservation by reusing A4 paper that has only been used on one side.

The hazardous waste and its intensity produced during the reporting period are shown below:

Hazardous waste	Unit	FY25/26	FY24/25
Total hazardous waste	Tonne	**3.50**	**4.00**
Head Office		nil	nil
EQK		nil	nil
Wuxi		3.50	4.00
TZCX		nil	nil
WNOC		nil	nil
Hazardous waste intensity			
Head Office	Tonne / m^2 (floor area)	nil	nil
Subsidiary (EQK)	Tonne/piece of garment produced	nil	nil
Joint venture (Wuxi, TZCX, WNOC)	Tonne /tonne of yarn produced	<0.001	<0.001

Note:
- *The calculations are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange*
- *The data marked as "nil" implies the data is not recorded or available during the reporting period*

The non-hazardous waste and its intensity produced during the reporting period are shown below:

Non-hazardous waste	Unit	FY25/26	FY24/25
Total non-hazardous waste	Tonne	**59.82**	**63.81**
Head Office		nil	nil
EQK		nil	nil
Wuxi		nil	nil
TZCX		nil	nil
WNOC		59.82	63.81
Non-hazardous waste intensity			
Head Office	Tonne / m^2 (floor area)	nil	nil
Subsidiary (EQK)	Tonne /piece of garment produced	nil	nil
Joint venture (Wuxi, TZCX, WNOC)	Tonne /tonne of yarn produced	0.004	0.004

Note:
- *The calculations are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange*
- *The data marked as "nil" implies the data is not recorded or available during the reporting period*

6.2 Use of Resources

The Group continues to double our efforts to ensure prudent use of resources through implementing strict resources management policies and measures. According to the materiality analysis results, the use of electricity and water are identified as the most material environmental issues. In this section, we primarily focus on water and energy consumption, particularly the use of electricity.

6.2.1 Energy Consumption

Our major sources of energy consumption come from our factories, dormitories and offices. Considering our main sources of energy consumption are attributed to electricity consumption, we primarily focus on electricity saving measures.

In order to reduce energy consumption and improve energy efficiency, we implemented a number of measures in our operations during the reporting period as follows:

Minimizing the use of electricity:

- Undergo energy-saving reforms for our system
- replace lighting fixtures with LED gradually to improve energy efficiency
- motivate employees to conserve energy by switching off lighting and electric appliances during lunch hours and idling period
- avoid leaving the electric appliance in standby mode when not in use to reduce energy consumption
- inspect the implemented machinery scheduling regularly to improve energy efficiency
- Promote energy saving through training regularly to conserve energy

Reducing direct energy consumption:

- Inspect gas lines regularly to avoid gas leakage to reduce waste of energy
- Monitor mobile and stationary sources of combustion such as fuels consumed by vehicles, boilers and backup generator

During the reporting period, we retrofitted a centrifugal air compressor at Wuxi, resulting in a reduction of over 325,000 kWh of electricity and 40 tonnes of standard coal equivalent. To further enhance energy efficiency, over 90% of Wuxi's lighting system has been converted to LED. At WNOC, we also optimized the air-conditioning piping system, contributing to additional electricity savings.

In addition, the reduction in electricity consumption was partly attributable to adjustments in operational arrangements, which improved overall efficiency and reduced energy demand.

Committed to continuous improvement, we regularly review and enhance our energy management practices, integrating energy-saving awareness into the Group's daily operations. The breakdown of energy consumption is presented below:

	Unit	FY25/26	FY24/25
Use of energy			
Total energy consumption	**kWh**	**230,565,641**	**264,137,330**
Direct energy consumption		**267,906**	**410,669**
Diesel		56,360	117,617
Head office		-	-
Subsidiary		-	-
Joint-venture		56,360	117,617
Gasoline		211,546	293,052
Head office		40,586	66,118
Subsidiary		29,664	44,847
Joint-venture		141,296	182,087
Indirect energy consumption		230,297,735	263,726,661
Electricity		230,297,735	263,726,661
Energy use intensity			
Head Office	kWh/m² (floor area)	32.80	36.68
Subsidiary (EQK)	kWh/piece of garment produced	1.84	1.75
Joint venture (Wuxi, TZCX, WNOC)	kWh/tonne of yarn produced	14,619.91	16,360.63
Use of electricity			
Total electricity consumption	**kWh**	**230,297,735**	**263,726,661**
Head Office		578,412	625,984
EQK		384,364	697,793
Wuxi		199,473,950	219,284,474
TZCX		9,619,330	12,102,370
WNOC		20,241,679	31,016,040
Energy use intensity			
Head Office	kWh/m² (floor area)	30.65	33.17
Subsidiary (EQK)	kWh/piece of garment produced	1.71	1.64
Joint venture (Wuxi, TZCX, WNOC)	kWh/tonne of yarn produced	14,607.32	16,341.96

Note:
- *The calculations are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange*
- *The conversion of the energy data unit to kWh is based on the lower calorific value*
- *Direct energy consumption includes fuel consumption (diesel consumption) and mobile combustions (diesel and gasoline)*
- *Indirect energy consumption refers to electricity consumption*

6.2.2 Water Consumption

Since our businesses do not involve heavy use of water like fabric processing (e.g. dyeing and washing), the Group consumes relatively less amount of water in the production process compared to other garment manufacturers. During the reporting period, there was no issue in sourcing water that was fit for purpose. Nevertheless, we continuously pay attention to conserving water resources and executing various water-saving measures.

For monitoring water consumption, we apply water meters at our operations in Hong Kong and Chinese Mainland.

	Unit	FY25/26	FY24/25
Use of water			
Total water consumption	**m^3**	**295,819**	**329,609**
Head Office		3,868	3,745
EQK		6,471	13,784
Wuxi		224,699	224,601
TZCX		36,781	44,279
WNOC		24,000	43,200
Water use intensity			
Head Office	m^3/m^2 (floor area)	0.20	0.20
Subsidiary (EQK)	m^3/piece of garment produced	0.03	0.03
Joint venture (Wuxi, TZCX, WNOC)	m^3/tonne of yarn produced	18.18	19.44

Note:
- *The calculations are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange*

In Chinese Mainland, water is used mainly for domestic purposes throughout our business operations such as for consumption in dormitories. Not only does the Group encourage our employees to use water wisely but also implements proper maintenance to prevent leakages. In addition, we examine water safety and quality through regular inspections at our business operations in Chinese Mainland.

We strive to reduce our water consumption through the following water-saving measures at our operations during the reporting period:

- Turn off the water tape after use to eliminate unnecessary water consumption
- Apply auto-stop water tap, wherever applicable, to improve the water use efficiency
- Promote water-saving messages to our staff by updating water-saving signage in the common area
- Treat domestic sewage properly in sewage treatment plants at our Wuxi factory

6.2.3 Packaging Materials

The packaging materials used in our operations are mainly paper cartonnes, paper hand tags, tissue paper and plastic bags. As the use of packaging materials not only depends on the client's preferences and requirements but also needs to be sourced from suppliers that are approved or chosen by the clients, our control over the selection of packaging materials is very limited. Nevertheless, the Group continues to make efforts to prevent over-packaging and encourage our clients to use more green materials.

The following are the total amount and intensity of packaging materials used by the Group during the reporting period:

	Unit	FY25/26	FY24/25
Packaging materials used			
Total Packaging materials used	**Tonne**	**1,558.48**	**1,601.55**
Head Office		0	0
EQK		199.98	33.19
Wuxi		1,248.99	1,450.75
TZCX		57.05	69.57
WNOC		52.46	48.04
The intensity of packaging material used			
Head Office	Tonne /m^2 (floor area)	0	0
Subsidiary (EQK)	Tonne /piece of garment produced	<0.001	<0.001
Joint venture (Wuxi, TZCX, WNOC)	Tonne /tonne of yarn produced	0.09	0.10

Note:
- *The calculations are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange*

6.3. The Environment and Natural Resources

The Group assesses the garment manufacturing processes and the material used to prevent environmental impact as much as possible. The Group is committed to taking care of the environment and investing in green practices. Hence, we are purposefully adopting sustainable business processes. As required by our clients, we have manufactured products with the *Global Organic Textile Standard* ("GOTS"), which is recognized as the world's leading processing standard for textiles made from organic fibers. We strive to comply with the international standards or initiatives, such as the *Business Social Compliance Initiative* ("BSCI") and *Ethical Trading Initiative* ("ETI") and *Better Cotton Initiative* ("BCI"), which promote better standards in cotton farming and practices. In addition, we nurture the mindset of environmental conservation from top management to general employees through training. When the Group executes green programs, the programs will be promoted to employees to gain more support. This allows the Group to maximize the positive impacts on the environment and natural resources.

7. CLIMATE-RELATED DICLOSURES

Commitment to climate action

To meet international climate goals and ensure that the Group can cope with climate risks under climate change, the Group has established and defined a number of commitments and targets to address and adapt to the challenges posed by climate change, including:

- Improve energy efficiency
- Strengthen electrification
- Other climate action targets set by the Group

We recognise the importance of identifying climate-related risks and opportunities and building resilience strategies that help the Group face the physical and transitional risks caused by climate change while building a low-carbon economy that minimizes negative impacts on our company.

The Board delegates responsibility to the ESG Committee to review, monitor and manage the Group's climate-related issues and support the Board in overseeing climate-related policies, strategies and risk management practices. ESG Committee composed of representatives from different business functions or units, including but not limited to Risk Management Committee. The Group will provide regular climate training to directors and ESG committee to help them deepen their knowledge and understanding of climate-related issues and skills. The Committee organizes regular internal meetings to discuss climate-related issues and review progress on actions and targets. The Board has reviewed and approved this ESG Report, ensuring that the climate-related disclosures and assessment results are aligned with the Group’s governance framework and overall business strategy. It is responsible for the following work:

- sharing the latest sustainability and climate-related trends and developments
- assessing climate risks and reporting results
- monitoring and oversight of internal control systems and risk management practices
- reviewing and monitoring climate strategies to address climate-related risks
- developing a climate-related strategic plan and regularly reviewing its progress
- proposing and reviewing climate-related targets
- reporting to the Board on the Group's climate actions, sustainability progress, performance and climate disclosures

The Group's governance takes into account climate risks and opportunities into our strategic oversight and risk management processes, and where applicable, the remuneration packages of the Board and senior executives and the Group's transaction decisions also take into account climate factors and indicators to strengthen governance incentives and ensure that each potential transaction related to risks and opportunities can be fully assessed.

7.1. Governance

The role of management

Establish the ESG Committee to manage, monitor and approve climate-related and sustainable development policies, strategies and plans. They also work with the Risk Management Committee to evaluate the effectiveness of the Group's risk management measures and internal control systems. They come from different departments or units of the company, fostering cross-functional collaboration and ensuring a comprehensive approach to risk management. Through this integration, we leverage diverse expertise and perspectives to gain an all-rounded understanding of the Group's risk profile and enhance strategic decision-making. Our management uses robust controls and procedures to monitor risks and opportunities related to climate change. They are responsible for:

- Reporting to the Board on climate change mitigation
- Identifying and assessing climate-related risks
- Approving climate and sustainability strategies, plans and budgets

These controls and procedures are integrated into our integrated risk management framework to identify, assess and manage risks in all aspects of our operations and help identify opportunities that make it easier for us to adapt to the ever-changing market environment and thrive by mitigating and seizing opportunities.

Climate-related capacity building

The Board, as a collective body, possesses essential insights to effectively oversee the Group's climate-related risks and provide guidance on opportunities. In addition to our existing expertise, we believe that continuous learning and development to enhance the Board's sustainability skills are indispensable. To this end, the Board and the management team actively share and discuss ESG issues, including the impacts of climate-related risks.

To enhance professional knowledge and capabilities in climate change and sustainable development at all levels, the Group is committed to providing relevant training and actively participating in various training sessions and seminars organized by professional institutions. We will engage external consulting firms to deliver training on climate risk management topics, including climate risk assessment training at operational sites, to strengthen the practical capabilities of relevant departments. Additionally, the consultancy will offer comprehensive training on climate risk management at the Group level and provide updates on the latest developments in climate disclosure requirements to enhance the awareness and understanding of climate risks among the Board and senior management.

This comprehensive approach, which combines internal training with external collaboration, ensures that the Board and management can effectively guide the Group's sustainability and climate strategies while also equipping executive staff with the foundational knowledge necessary for the effective implementation of action plans.

7.2. Strategy

The Group believes that climate change is a critical issue that may have short-, medium-, and long-term impacts on business operations, value chains, strategic decisions, and financial performance. Therefore, we are committed to conduct scenario analyses over different time horizons to identify and assess risks, opportunities related to climate physical changes and transitions. This enables us to monitor and evaluate possible impacts on the Group, and develop specific mitigation, adaptation measures and strategies to reduce negative impacts.

Time frame for scenario analysis

Based on the nature of the industry and the Group's climate response direction, the timeframe selected for assessing climate-related risks and opportunities is aligned with our comprehensive climate adaptation measures, objectives, and strategic decisions. Additionally, this timeframe is consistent with the target years of the greenhouse gas goals outlined in the Paris Agreement. Below is the definition of the timeframe. Unless otherwise specified, the scope of the analysis is consistent with the scope of this report.

Time range: short-term

- **Time Frame:** Current to 2030
- **Analysis Premise:** Based on current extreme weather, policies, technologies, and market changes, as well as the lifespan of equipment

Time range: mid-term

- **Time Frame:** 2030 to 2050
- **Analysis Premise:** Considering the net-zero targets set by government policies for the relevant operational sites and measures to address extreme weather

Time range: long-term

- **Time Frame:** 2050 to 2100
- **Analysis Premise:** Long-term trends in government and market responses to physical and transition risks

Risks and opportunities

To determine the impact on the Group's value chain, business model, financial performance, and cash flows in the short, medium, and long term, the Group conducted climate scenario analysis based on two scenarios and three-time frames in line with international standards. This analysis assesses physical risks and transition risks.

Transition risks encompass policy, technology, market, and reputational risks resulting from the implementation of stringent climate laws and regulations, and the market shift toward net-zero targets. Physical risks include both immediate and long-term risks that could impact on the Group's operations due to extreme weather and climate change. Overall, the Group did not identify any significant high risks in either physical or transition risks.

Risk Type	Risk description and drivers	Time frame	Assets affected	Details: Business, operational and financial impacts	Overall risk level 1.5°C	Overall risk level 3°C
Transition Risk						
Increased pricing of GHG emissions	**To meet the national carbon targets, the government or relevant regulatory bodies:** • Expansion and tightening of carbon pricing schemes • Introduction of sector-specific emissions caps and reduction targets • Stricter climate disclosure and compliance requirements	Medium- to Long-term	• Equipment and facilities that use fossil fuels • Awareness of carbon emissions among operational personnel	**Business model**: **YGM's energy-intensive processes may face:** • Higher electricity and fuel expenses • Increased compliance costs (monitoring, reporting, verification systems) • Higher insurance premiums for climate-related regulatory exposure **Value chain:** • Increased financing costs • Customer alignment with the company's low-carbon transition direction	IEA GEC Net Zero Emissions (NZE) Scenario: Low	IEA GEC Stated Policies (STEPS) Scenario: Low
Changing customer behavior	• Lower brand value due to insufficient green product or service • Supply side constrains and higher price	Short- to Long-term	• Production system • Manufacturing Assets • Intangible Assets • Invemtory	**Business model**: • Customer make cautious orders given uncertain demand from end user as well as rising awareness of overseas customers on the compliance of relevant initiatives such as Business Social Compliance Initiative • Non-compliance may result in loss of contracts with international buyers increasingly requiring low-carbon suppliers	IEA GEC Net Zero Emissions (NZE) Scenario: middle	IEA GEC Stated Policies (STEPS) Scenario: middle
Increased cost of raw materials	• Lower the availability of raw materials • Fluctuation of raw material prices may affect production volumes and result in decreased potential revenues	Short- to Long-term	• Existing finished products • Sourced raw materials • Time spent by frontline staff handling customer carbon inquiries	**Business model**: • Increasing cost, including transportation cost, led to reduced profitability (given thin gross margin for garment industry), Company usually make purchase at early stage with deposit in order to lock-down material cost • Reduced availability of capital **Value chain:** • Changes in customer behavior (favoring low-emission consumption/reducing demand for high-emission goods and services) • Shifts in revenue composition and sources, leading to increased revenue	IEA GEC Net Zero Emissions (NZE) Scenario: middle	IEA GEC Stated Policies (STEPS) Scenario: middle

Enhanced emissions-reporting obligations	• Growing regulatory and industry requirements to account for GHG emissions in value chains	Medium- to Long-term	• Data and IT Systems, including ESG data management systems and Energy and emissions monitoring tools • Supply Chain and Partner Relationships	**Business model**: • Expanded scope of emissions tracking, including more granular Scope 1 and 2 data and preparatory work for Scope 3 • Increased operating expenses related to staff training and capacity building	IEA GEC Net Zero Emissions (NZE) Scenario: Low	IEA GEC Stated Policies (STEPS) Scenario: Low
Mandates on and regulation of existing products and services	• Tightening environmental and GHG regulations and codes of practice • Compliance in line with government targets	Medium- to Long-term	• Production line • Supply Chain and Sourcing Network • Brand reputation	**Business model**: • Regulatory developments (e.g. restrictions on hazardous chemicals, sustainable product standards, eco-design requirements) may require redesign of product lines • Increased operating costs (e.g., higher compliance costs, increased insurance premiums)	IEA GEC Net Zero Emissions (NZE) Scenario: Low	IEA GEC Stated Policies (STEPS) Scenario: Low
Shifts in consumer preferences	• Our business models or our customers' business models fail to align with a low-carbon economy	Medium- to Long-term	• Production line • Suppliers providing traditional (non-sustainable) materials	**Business model**: • Growing demand for sustainable, low-carbon, and ethically produced apparel • transparency in sourcing and environmental impact **Value chain:** • Upstream supplier management	IEA GEC Net Zero Emissions (NZE) Scenario: Low	IEA GEC Stated Policies (STEPS) Scenario: Low

Risk Type	Risk description and drivers	Time frame	Assets affected	Details: Business, operational and financial impacts	Mitigation/Adaptation plans and measure	Overall risk level 1.5°C	Overall risk level 3°C
Physical Risk							
Increased severity of extreme weather events such as typhoons, floods and heat wave	Increased severity of extreme weather events might cause damage to assets	Medium- to Long-term	• Equipment, facilities and systems of the property • Inventory and raw materials • Employee safety	**Business model**: • Property and equipment are damaged, resulting in increased operating costs and equipment depreciation • Insufficient supply of utilities (e.g., water, energy) in factories and facilities • The cost of providing a safe working environment for workers increases **Value chain:** • Reduced production capacity (e.g., transportation difficulties, supply chain disruptions) • Reduced business hours, affecting delivery schedules • Reducing employee productivity and working hours • Labor productivity decreases, especially outdoor work activities	• Invest in climate-resilient infrastructure and building designs to withstand climate-related hazards (e.g., flood barriers, green roofs, stormwater management systems, seismic structures) • Increase the budget and strengthen flood prevention and disaster preparedness • Develop and implement emergency preparedness and response plans to address climate-related disasters • Install insulation on buildings and apply insulating paint to roofs to enhance cooling throughout the entire building • Training employees, conducting disaster drills, and establishing communication protocols to ensure timely and effective responses	IPCC SSP1-2.6: middle	IPCC SSP3-7: middle

Changes in precipitation patterns and extreme variability in weather patterns	Water scarcity or extreme weather events that influence production and logistics	Medium- to Long-term	• Manufacturing Facilities • Water Resources and Utilities • Supply Chain	**Business model**: • Water-intensive processes may face interruptions during drought conditions • Potential financial losses due to production delays	• **Water Management and Efficiency** Increase water recycling and reuse systems • **Infrastructure Enhancement** Water storage facilities to mitigate drought risks • **Supply Chain Diversification** Engage suppliers on climate resilience and sustainable farming practices	IPCC SSP1-2.6: middle	IPCC SSP3-7: middle
Rising mean temperatures	Increased energy use e.g. cooling	Medium- to Long-term	• Factories and warehouses • Human Capital	**Business model**: • Higher risk of injury to staff and increased heat-related illness • Reduced labour productivity due to heat stress • Greater maintenance requirements for overheated machinery • Higher operating costs due to electricity consumption for cooling	• Improve insulation, ventilation, and cooling systems in factories • Introduce energy-efficient climate control technologies • Adopt energy-efficient equipment to offset increased cooling demand • Adjust working hours • Provide rest breaks and hydration measures	IPCC SSP1-2.6: middle	IPCC SSP3-7: middle

Climate resilience

To strengthen the Group’s resilience to climate change, our climate adaptation strategies focus on reducing negative impacts from climate-related risks while maximizing potential opportunities. Scenario analysis enables us to assess physical and transition risks and formulate relevant mitigation or adaptation measures. Through scenario analysis, we carefully consider different uncertainties arising from climate system complexities, future policy pathways, effectiveness of adaptation plans, economic factors and regulatory changes. Therefore, we adopt a flexible and adaptive approach to enhance our resilience on potential impact of the climate risk.

Regular climate scenario analysis gives us the ability to change our strategy and business model in the short, medium and long term. We ensure the availability and flexibility of existing financial resources to respond to the impacts identified by the scenario analysis. This includes addressing climate-related risks and capitalizing on climate-related opportunities. We are capable to deploy, repurpose, upgrade or decommission existing assets as necessary. In addition, we are actively investing in climate-related mitigation and adaptation measures (see Risks and Opportunities for more details) to enhance our resilience to climate change. These investments not only strengthen our current operations but also seize the opportunities we encounter on our journey to a low-carbon economy.

Climate scenario analysis

The Group conducts qualitative analyses of transition risks and physical risks following the International Energy Agency's (“IEA”) Global Energy and Climate Model (“GEC Model”) and the Intergovernmental Panel on Climate Change’s (“IPCC”) Sixth Assessment Report’s Shared Socioeconomic Pathways (“SSP”). These analyses assess the Group’s climate adaptability. Analytics help us understand the potential financial and business impacts of climate change so we can identify climate shortcomings, develop responses and strategies, and improve the resilience of our business models and value chains. Detailed scenario analyses can be found in the Risks and opportunities section.

Conduct climate change scenario analysis	Assess the timing and extent of the impact of climate change on the company's operations
• Define two climate scenarios: low and high emissions • Incorporate international scenario models • Obtain qualitative parameters for each scenario respectively	• Based on the results of the scenario analysis, assess the short, medium and long-term impacts of climate-related risks and opportunities based on the business characteristics and geographical locations of the Group and its operating sites

Scenario analysis principles

We evaluate the areas in which we operate, and the production site is expected to rise in global temperatures 1.5 °C and 3 °C. We access short-term (2030), mid-term (2050) and long-term (2100) risks. In the three time frames, at the level of transformation risk, we chose IEA GEC Net zero emissions (“NZE”) Scenario and IEA GEC Established policy scenarios (“STEPS”). At the physical risk level, we use climate scenarios IPCC SSP1-2.6 and IPCC SSP3-7. These scenarios provide a variety of scientific references to possible future climate scenarios under different greenhouse gas emissions plans, which are closely related to our business plans, strategies, transition plans and goals.

	Low emission scenario	**High emission scenario**
Scenario definition	Ambitious climate action limits global warming to 1.5°C or well below 2°C. Achieve carbon neutrality (net-zero) by 2050	Moderate greenhouse gas emissions, global warming is limited to 3°C. Maintain current emission levels by 2050
Reason for selection	Achieve net-zero greenhouse gas emissions by 2050 and limit temperature rise to 1.5°C above pre-industrial levels by 2100 Choose this scenario to assess the impact of ambitious climate action to meet the Paris Agreement's 1.5°C or well below 2°C targets, in which we will focus more on transition risks	Maintain stable greenhouse gas emissions levels by 2050, reduce emissions levels by 2100, and limit temperature rise to 3°C or below This scenario is chosen to assess the impact of increased climate change due to the lack of effective climate action, in which we will focus more on physical risks
Scenario narration	The world is aware of the severity of climate change and countries have stepped up climate action and immediately used drastic policy measures to reduce emissions with a view to limiting global warming to 1.5°C or well below 2°C by the end of this century. Technological advancements and increased awareness promote a low-carbon, low-energy transition, while the market shifts towards more climate-friendly production and consumption. Civil society and consumer attention to corporate climate action is also increasing	Global climate action is slow and inconsistent, national policies are inadequate, and greenhouse gas emissions will remain at current levels by 2050. This results in a temperature increase of about 3°C by the end of the century. Technology and low-carbon transition are progressing gradually, and market and consumer behavior changes are limited. Extreme weather events (such as floods, heatwaves, and droughts) occur frequently. This increases the pressure on infrastructure and supply chains, and physical risks for businesses. Meanwhile, transition risks (such as carbon taxes) remain low due to weak policies. The calls for change from civil society have not result in systemic transformation
Main references	**IEA GEC NZE：**The rapid decarbonization of energy systems relies on renewable energy, electrification, and technological breakthroughs. That also requires strong international and national policy support. Society and consumers are paying more attention to corporate climate action **IPCC SSP1-2.6：**The world adopts strong climate policies and technological innovations, focusing on clean energy, achieving temperature-controlled target of 1.5°C or well below 2°C	**IEA GEC STEPS：**Introduce new climate policies, emission levels are in. It will maintain or decline slightly by 2050 but is far from reaching the net-zero target. Global warming is trending towards 3°C or higher, and physical risks are intensifying **IPCC SSP3-7：**Insufficient climate policies and continued socio-economic development will result in a slow but insufficient decline in greenhouse gas emissions to achieve cooling targets, leading to a warming of approximately 3°C. Extreme weather events will increase significantly
Risk level considerations	• The likelihood of risk occurring • The degree of impact on the company when the risk occurs	

7.3. Climate Risk Management

The Group has developed an integrated risk management framework to regularly monitor, manage and review climate-related risks. First, we identify the climate-related risks and opportunities associated with the Group's business operations. Then, following the scenario analysis mentioned in Section 7.2 on climate resilience, we further evaluate the identified risks based on their likelihood of occurrence and their potential impacts on the Group's business model, value chain, and financial condition. Risks with a high probability of occurrence and significant impact on the Group are defined as material risks. Risks with a low probability of occurrence and a slight impact on the group are defined as low risk.

After the risk assessment, we prioritize risks based on their importance and relevance to the Group. We have implemented several risk control measures to mitigate and manage these risks, aiming to minimize them to manageable levels. Climate-related risks are integrated into the Group's overall risk management process and are supervised by the Risk Management Committee and management. This oversight ensures regular monitoring and review of climate-related risks, their associated impacts, and our mitigation and adaptation strategies. The overall risk management process also includes prioritizing climate risks alongside other sustainability-related risks, ensuring that the Group's resources are allocated effectively to address the most significant risks while avoiding resource misallocation.

7.4. Climate Metrics and Indices

The Group has established various qualitative or quantitative climate-related indicators and targets for carbon emissions, energy consumption, water management and renewable energy to effectively track the performance of climate-related risks and opportunities, monitor the progress of risk and opportunity management, and contribute to the transition to a low-carbon economy.

Indices

Carbon Emissions

The Group quantifies its absolute carbon emissions for the reporting year to monitor its decarbonisation strategies and transition pathways. The reported emissions comprise Scope 1 (direct emissions) and Scope 2 (energy indirect emissions).

Given that the calculation of Scope 3 emissions requires extensive data collection across upstream and downstream activities throughout the value chain, and depends on the cooperation of multiple stakeholders such as suppliers, customers, and tenants, the Group considers that applying a reasonable information exemption is currently more appropriate.

Set forth below are the Group's greenhouse gas ("GHG") emissions during the reporting period:

Type of GHG Emissions	Unit	FY25/26	FY24/25
Total GHG Emissions (Scope 1 and 2 inclusive)	**tCO_2e**	**122,152.22**	**141,516.57**
Direct (Scope 1) Emissions	tCO_2e	66.49	98.87
Energy Indirect (Scope 2) Emissions	tCO_2e	122,085.73	141,417.70
Intensity of GHG Emissions			
Head Office	tCO_2e/ m^2 (floor area)	0.01	0.01
Subsidiary (EQK)	tCO_2e/ piece of garment produced	<0.001	<0.001
Joint venture (Wuxi, TZCX, WNOC)	tCO_2e/ tonne of yarn	7.75	8.77

Note:

- *The calculations are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Sixth Assessment Report, CLP Power Hong Kong Limited in 2024, the emissions factors for the Mainland-based operations referenced the Ministry of Ecology and Environment of the People's Republic of China, and Climate Transparency (2023 Report); Greenhouse gas reporting: conversion factors 2024;*
- *Scope 1 includes emissions from stationary combustion of diesel; Mobile combustion of gasoline and diesel; and Scope 2 includes indirect emissions from electricity consumption*

Carbon Emission Target

Due to functional changes of some the sites in the reporting year, the Group would like to collect additional data before setting appropriate targets.

Capital Use

Due to the evolving nature of the Group's climate-related investment plans and the fact that a significant portion of capital expenditure is affected by site-specific operational conditions, the Group has not disclosed a detailed year-by-year quantitative breakdown of future capital use. Certain capital expenditure trends remain subject to business planning, site conditions, and implementation timing.

Internal Carbon Pricing

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

Salary

During the reporting year, the Group did not incorporate climate-related factors into its remuneration policy. We regularly review the compatibility of climate goals with pay linkages with our business models and report on them in a timely manner.

Outlook

The Group is committed to making contributions to the environment and society in which it operates. Through the regular reviews process, we put tremendous effort to uphold good corporate governance to prudently comply with the requirements of laws, Listing Rules, and internal management. Moving forward, the Group will continue to take a proactive approach to social, environmental, and governance.

APPENDIX: HKEX ESG REPORTING CODE CONTENT INDEX

A	Environmental	Chapter
ASPECT A.1	Emissions	6. Environmental Management; 6.1 Emissions
KPI A.1.1	The types of emissions and respective emissions data.	6.1.1 Air and Greenhouse Gas Emissions
KPI A.1.2	Deleted on 1 January 2025	
KPI A.1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.1.2 Waste Management
KPI A.1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A.1.5	Description of emission target(s) set and steps taken to achieve them.	6. Environmental Management; 6.1 Emissions
KPI A.1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6. Environmental Management; 6.1.2 Waste Management
ASPECT A.2	Use of resources	6. Environmental Management; 6.2 Use of Resources
KPI A.2.1	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).	6.2.1 Energy Consumption
KPI A.2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A.2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6. Environmental Management; 6.2.1 Energy Consumption
KPI A.2.4	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.	6. Environmental Management; 6.2.2 Water Consumption
KPI A.2.5	The total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	6.2.3 Packaging Materials
ASPECT A.3	Environment and natural resources	6. Environmental Management
KPI A.3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Environmental Management; 6.3 The Environment and Natural Resources During the reporting period, there was no incident that had a significant impact on the environment and natural resources
ASPECT A.4	Deleted on 1 January 2025	
KPI A.4.1	Deleted on 1 January 2025	

B	Social	Chapter
ASPECT B.1	Employment	4. Caring For People
KPI B.1.1	Total workforce by gender, employment type (e.g. full or part-time), age group and geographical region.	4.2 Employment
KPI B.1.2	Employee turnover rate by gender, age group and geographical region.	
ASPECT B.2	Health and safety	4. Caring For People
KPI B.2.1	The number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.3 Health and Safety
KPI B.2.2	Lost days due to work injury.	
KPI B.2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	
ASPECT B.3	Development and training	4. Caring For People
KPI B.3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.4 Development and Training
KPI B.3.2	The average training hours completed per employee by gender and employee category.	
ASPECT B.4	Labour standards	4. Caring For People
KPI B.4.1	Description of measures to review employment practices to avoid the child and forced labour.	4.1 Labour Standards
KPI B.4.2	Description of steps taken to eliminate such practices when discovered.	
ASPECT B.5	Supply chain management	5. Operating Practices
KPI B.5.1	The number of suppliers by geographical region.	5.3 Supply Chain Management
KPI B.5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
KPI B.5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B.5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
ASPECT B.6	Product responsibility	5. Operating Practices
KPI B.6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2 Product Responsibility
KPI B.6.2	The number of products and service related complaints received and how they are dealt with.	
KPI B.6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B.6.4	Description of quality assurance process and recall procedures.	
KPI B.6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	

ASPECT B.7	Anti-corruption	5. Operating Practices
KPI B.7.1	The 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.	5.1 Anti-corruption Although the anti-corruption training for directors was not provided during the reporting period, we will improve and arrange the anti-corruption training for directors in the near future.
KPI B.7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
KPI B.7.3	Description of anti-corruption training provided to directors and staff.	
ASPECT B.8	Community investment	5. Operating Practices
KPI B.8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.4 Community Investment
KPI B.8.2	Resources contributed (e.g. money or time) to the focus area.	

Part D: Climate-related disclosures		
(I)	**Governance**	**Chapter**
19	The issuer shall disclose information regarding the following: (a) Information on the governance body (which may include the board, committee, or other equivalent governance body) or individual responsible for overseeing climate-related risks and opportunities. Specifically, issuers must identify the relevant body or individual and disclose the following information: (i) How the body or individual determines whether they have the appropriate skills and competencies to oversee strategies related to climate-related risks and opportunities; (ii) How and how often the body or individual is informed about climate-related risks and opportunities; (iii) How the institution or individual considers climate-related risks and opportunities into account in overseeing the issuer's strategies, significant transaction decisions, and risk management processes, including whether the body or individual considers trade-offs associated with climate-related risks and opportunities; and (iv) How the body or individual oversees the setting of targets related to climate-related risks and opportunities and monitors progress toward those targets (see paragraphs 37–40), including whether and how relevant performance indicators are incorporated into compensation policies (see paragraph 35); and (b) The role of management in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including: (i) Whether this role is entrusted to specific management personnel or a management-level committee and how that individual or committee is supervised; and (ii) Whether and how management uses controls and procedures to assist in overseeing climate-related risks and opportunities, and how these are integrated with other internal functions.	7.1. Governance
(II)	**Strategy**	
	Climate-related risks and opportunities	
20	Issuers shall disclose information to make it clear what climate-related risks and opportunities they reasonably anticipate could affect their cash flows, access to financing, or cost of capital in the short, medium, or long term. Specifically, issuers shall: (a) Describe the climate-related risks and opportunities that are reasonably expected to impact the issuer's cash flows, financing channels, or capital costs in the short, medium, or long term; (b) Explain whether the identified climate-related risks are considered to be physical risks or transition risks; (c) Provide specifics on the reasonable expectations regarding the time horizon (short, medium, or long term) for each identified climate-related risk and opportunity; and (d) Explain how the issuer defines short term, medium term, and long term, and how these definitions are linked to the scope of its strategic decisions.	7.2. Strategy
	Business model and value chain	
21	Issuers shall disclose information that helps understand the current and expected impacts of climate-related risks and opportunities on their business model and value chain. Specifically, issuers shall disclose: (a) Describe the current and expected impacts of climate-related risks and opportunities on the issuer's business model and value chain; and (b) Describe where climate-related risks and opportunities are concentrated in the issuer's business model and value chain (e.g., geographic regions, facilities and asset types).	7.2. Strategy

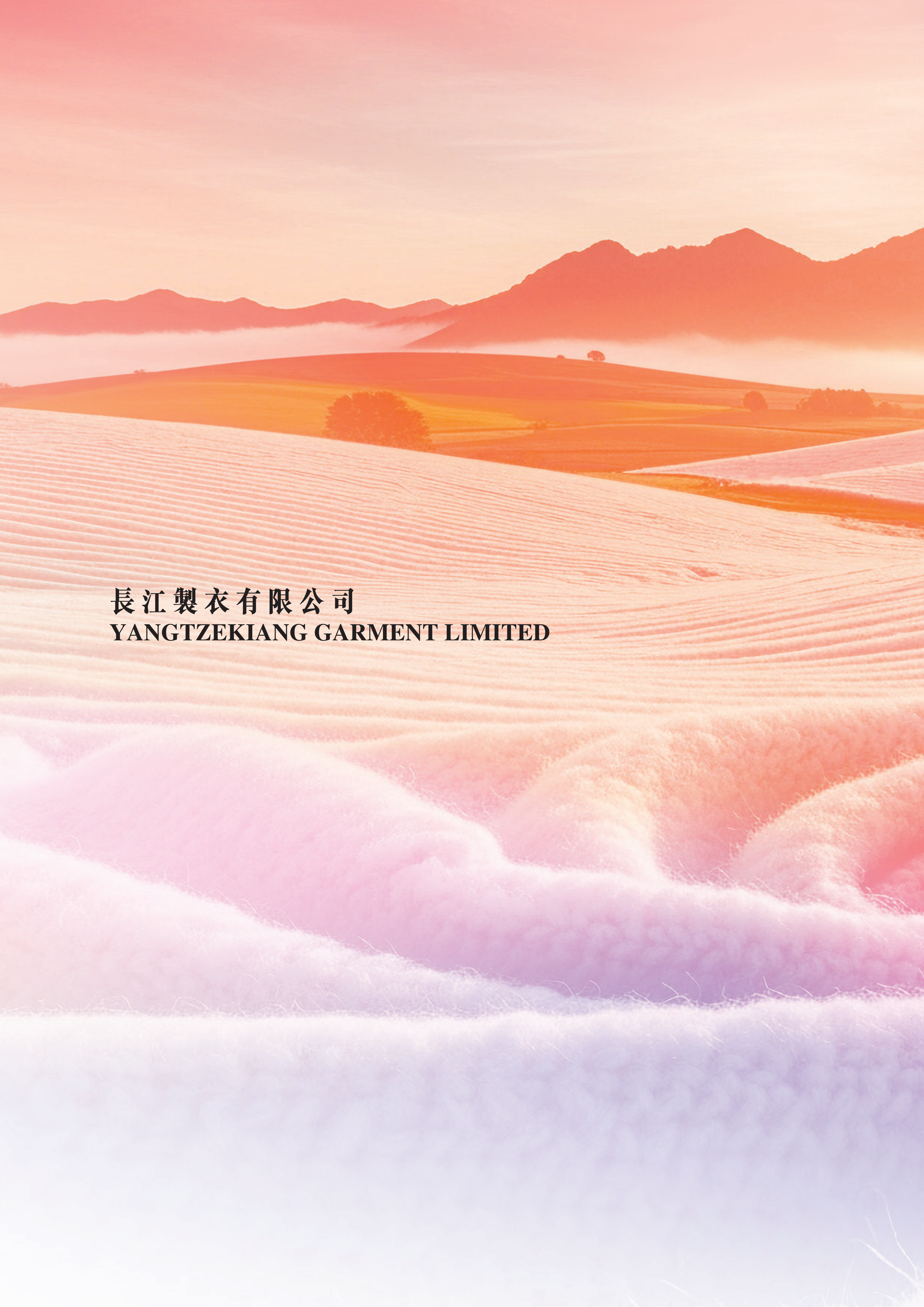
	Strategy and decision-making	
22	Issuers shall disclose information that enables them to understand the impact of climate-related risks and opportunities on their strategies and decisions. Specifically, issuers shall disclose: (a) Information regarding how the issuer plans to address climate-related risks and opportunities in their strategies and decision-making, including how the issuer plans to achieve any climate-related targets set and any legally or regulatory mandated targets. Specifically, issuers shall disclose the following information: (i) Changes to the issuer's business model (including resource allocation) in response to climate-related risks and opportunities, both now and in the future; (ii) Any adaptation or mitigation work that has been or is expected to be carried out (directly or indirectly); (iii) Any climate-related transition plans of the issuer (including information on the key assumptions used in developing the transition plans and the factors on which the plans are based), or, if the issuer does not have such plans, an appropriate negative statement; and (iv) How the issuer plans to achieve any climate-related targets described in paragraphs 37 to 40 (including any greenhouse gas emission targets, if any); and (b) Information on how the issuer plans to provide resources for actions disclosed under paragraph 22(a).	7.2. Strategy
23	The issuer shall disclose the progress of the plans disclosed in paragraph 22(a) for each previous reporting period.	7.2. Strategy
	Financial position, financial performance, and cash flow	
	Current financial impact	
24	The issuer shall disclose the following qualitative and quantitative information: (a) How climate-related risks and opportunities affected the issuer's financial position, financial performance and cash flows during the reporting period; and (b) Information regarding the climate-related risks and opportunities identified in paragraph 24(a) when there is a significant risk that would lead to a material adjustment of the carrying amounts of assets and liabilities in the relevant financial statements for the next reporting year.	7.2. Strategy
	Expected financial impact	
25	The issuer shall disclose the following qualitative and quantitative information: (a) After considering their strategies for managing climate-related risks and opportunities, and considering the following, how the issuer expects its financial condition to change in the short, medium, and long term: (i) its investment and disposal plans; and (ii) its planned sources of funding for implementing the 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.	7.2. Strategy
	Climate resilience	
26	After considering the climate-related risks and opportunities identified by the issuer, the issuer shall disclose information to enable others to understand the resilience of its strategies and business model to climate-related changes, developments, or uncertainties. The issuer shall use climate-related scenario analysis to assess its climate resilience in a manner appropriate to its circumstances. When 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 of the reporting date, which aids to understand: (i) The impact of the analysis results on the issuer's strategy and business model, including how the issuer will respond to the impacts identified in climate-related scenario analyses;	7.2. Strategy

	(ii) The scope of significant uncertainties considered in the issuer's assessment of climate resilience; and (iii) The issuer's ability to adjust its short, medium, and long term strategies and business model based on climate developments; and (b) How and when climate-related scenario analysis is to be conducted, including: (i) The input data used includes: (1) Climate-related scenarios and their sources used in the analysis by the issuer; (2) Whether the analysis covers multiple different climate-related scenarios; (3) Whether the climate-related scenarios used in the analysis relate to climate-related transition risks or climate-related physical risks; (4) Whether the issuer has used scenarios that align with the latest international agreements on climate change in its analysis; (5) Why the issuer considers the selected climate-related scenarios as relevant to assessing resilience against climate-related changes, developments, or uncertainties; (6) The time frame used in the analysis by the issuer; and (7) The scope of operations covered in the analysis (e.g., the locations and business units involved in the analysis). (ii) Key assumptions made by the issuer in the analysis; and (iii) The reporting period for conducting climate-related scenario analysis.	
(III)	**Risk management**	
27	Issuer shall disclose the following information: (a) The processes and related policies used by the issuer to identify and assess climate-related risks, prioritize them, and maintain monitoring, including information regarding: (i) The data and parameters used by the issuer (e.g., sources of data and the scope of operations covered by the processes); (ii) How the issuer can and does use climate-related scenario analysis to identify climate-related risks; (iii) How the issuer assesses the nature, likelihood, and extent of the impacts associated with such risks (e.g., whether the issuer considers qualitative factors, quantitative thresholds, or other standards used); (iv) Whether and how the issuer prioritises climate-related risks relative to other types of risks; (v) How the issuer monitors its climate-related risks; and (vi) How the issuer can and does change its processes compared to the previous reporting period; and (b) The processes used by the issuer to identify, assess climate-related opportunities, and prioritize and maintain monitoring, including information on how the issuer can and does use climate-related scenario analysis to determine climate-related opportunities; and (c) How the process of identifying, assessing, prioritizing, and monitoring climate-related risks and opportunities is integrated into the issuer's overall risk management process, and to what extent.	7.3. Climate Risk Management
(IV)	**Indicators and targets**	
	Greenhouse gas emissions	
28	Issuers shall disclose the absolute total greenhouse gas emissions during the reporting period (in tonnes of CO2 equivalent), categorized as: (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions.	7.4. Climate Metrics and Indices

29	Issuer shall: (a) Unless required otherwise by regulatory authorities or another exchange where the issuer is listed, issuers shall quantify their greenhouse gas emissions in accordance with the "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)."; (b) Disclose the methods used for measuring greenhouse gas emissions, including: (i) The measurement methods, input data, and assumptions used by the issuer to quantify its greenhouse gas emission; (ii) Why the issuer chose this measurement method, the input data, and the assumptions made for measuring greenhouse gas emissions; and (iii) Any changes made to the measurement methods, input data, and assumptions during the reporting period, including reasons for the changes; (c) For Scope 2 greenhouse gas emissions disclosed under paragraph 28(b), disclose the issuer's Scope 2 greenhouse gas emissions on a geographical basis, along with any necessary contractual documents to understand that emissions; and (d) For Scope 3 greenhouse gas emissions disclosed under paragraph 28(c), disclose the categories included in the quantification of Scope 3 greenhouse gas emissions according to the "Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)."	7.4. Climate Metrics and Indices
	Climate-related transition risks	
30	Issuers shall disclose the amount and percentage of assets or business activities that are vulnerable to climate-related transition risks.	The Group has conducted climate scenario analysis and identified no material climate-related risks. In accordance with the materiality principle, the calculation and disclosure of this metric were deemed not necessary.
	Climate-related physical risks	
31	Issuers shall disclose the amount and percentage of assets or business activities that are susceptible to climate-related physical risks.	Current research only covers the specified assets and businesses and will explore the feasibility of expanding the scope of our research in the future.
	Climate-related opportunities	
32	Issuers shall disclose the amount and percentage of assets or business activities related to climate-related opportunities.	Due to the evolving nature of climate-related investments, the Group has applied the commercial sensitivity relief and not disclosing detailed expenditure disclosure.
	Capital expenditure	
33	Issuers shall disclose the capital expenditures, financing, or investment amounts related to climate-related risks and opportunities.	As no material climate-related risks were identified during the Reporting Year, the Group has applied implementation relief and has not disclosed related financial impacts. The Group will continue to monitor climate-related developments and disclose material impacts as appropriate.

	Internal carbon pricing	
34	Issuer shall disclose the following: (a) Explanation of how the issuer may apply carbon pricing in decision-making (e.g., investment decisions, transfer pricing, and scenario analysis); and (b) The pricing of greenhouse gas emissions for evaluating its cost per tonne of greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	We have not yet incorporated internal carbon pricing into our decision-making process. We will explore the use of internal carbon pricing in the future.
	Compensation	
35	Issuers shall disclose how climate-related considerations may be incorporated into compensation policies or provide an appropriate disclaimer. This may form part of the disclosures required under paragraph 19(a)(iv).	We will explore the feasibility of incorporating climate-related indicators into the compensation considerations for senior management.
	Industry indicators	
36	The exchange encourages issuers to disclose industry indicators related to one or more specific business models and activities or to indicators that are commonly related to relevant industry characteristics. In deciding which industry indicators to disclose, the exchange encourages issuers to refer to the "Industry Disclosure Guide" of the "International Financial Reporting Standards Sustainability Disclosure Standards (S2)" and other industry disclosure requirements in international environmental, social, and governance reporting frameworks, considering their applicability.	Though the report discloses the common industry-based metrics concerned by the stakeholders as per ESG Code, it does not disclose the industry-based metrics as per the relevant industry standard, like IFRS S2. The Group will keep assessing the applicability of this issue.
	Climate-related targets	
37	Issuers shall disclose (a) the qualitative and quantitative targets set to monitor progress toward achieving their strategic targets related to climate; and (b) any targets mandated by law or regulation, including greenhouse gas emissions targets. Issuers shall disclose the following information for each target: (a) Indicators used to set goals; (b) The purpose of the target (e.g., mitigation, adaptation, or science-based initiatives); (c) Scope of the target (e.g., whether the target applies to the entire group of issuers or only to specific business units or geographic areas); (d) The applicable period of the target; (e) The baseline period for measuring progress; (f) Any interim or mid-term targets (if any); (g) If it is a quantitative target, whether it is an absolute target or an intensity target; and (h) How the latest international climate change agreements (including any legal commitments arising from those agreements) assist the issuer in setting targets.	7.4. Climate Metrics and Indices Due to functional changes of some of the sites in the reporting year, the Group would like to collect additional data before setting appropriate targets.
38	Issuers shall disclose the methods for setting and reviewing each target, and how they monitor progress toward achieving targets, including: (a) Whether the objective itself and the method of setting the objective have been verified by a third party; (b) The issuer's processes for reviewing targets; (c) Indicators used to monitor progress toward achieving targets; and (d) Any amendments to the targets and the reasons.	7.4. Climate Metrics and Indices Due to functional changes of some of the sites in the reporting year, the Group would like to collect additional data before setting appropriate targets.

39	The issuer shall disclose information on the performance of each climate-related objective and an analysis of trends or changes in the issuer's performance.	7.4. Climate Metrics and Indices
40	For each greenhouse gas emission target disclosed in paragraphs 37 to 39, the issuer shall disclose: (a) Which greenhouse gases are covered by the target; (b) Whether the target covers Scope 1, Scope 2, or Scope 3 greenhouse gas emissions; (c) Whether this target is a total greenhouse gas emissions target or a net greenhouse gas emissions target; if it is a net target, the issuer shall also disclose the relevant total greenhouse gas emissions targets; (d) Whether the target was developed using industry decarbonization approaches; and (e) How the issuer plans to use carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. Regarding the use of carbon credits, issuers shall disclose: (i) The extent and manner to which carbon credits are relied upon to achieve any net greenhouse gas emissions targets; (ii) Which third-party programs will verify or certify the carbon credits; (iii) The type of carbon credits, including whether the associated offsets are based on natural or technological carbon removal, and whether the associated offsets are achieved through emission reductions or carbon removal; and (iv) Any other important factors necessary to make people understand the credibility and integrity of the carbon credits that the issuer plans to use (e.g., assumptions about the carbon offsetting effect).	7.4. Climate Metrics and Indices Due to functional changes of some of the sites in the reporting year, the Group would like to collect additional data before setting appropriate targets.
	Applicability of cross-industry indicators and industry indicators	
41	In preparing disclosure content to comply with the provisions set out in paragraphs 21 to 26 and 37 to 38, issuers shall reference (i) cross-industry indicators (see paragraphs 28 to 35) and (ii) industry indicators (see paragraph 36), considering their applicability.	Though the report discloses the common industry-based metrics concerned by the stakeholders as per ESG Code, it does not disclose the industry-based metrics as per the relevant industry standard, like International Financial Reporting Standards Sustainability Disclosure Standards (S2). The Group will keep assessing the applicability of this issue.



長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED